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1921/22

ANNUAL REPORT

OF THE

RURAL CREDIT  
BOARD

FOR THE

State of South Dakota

FOR THE

FISCAL YEAR ENDING JUNE 30th

1922

W. H. McMASTER, Governor  
*President*

C. M. HENRY  
*Commissioner*

A. W. EWERT  
*Treasurer*

ALFRED ZOSKE

J. B. ZIEBACH





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## STATE OF SOUTH DAKOTA RURAL CREDIT BOARD

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Honorable Wm. H. McMaster, Governor,  
Executive Chambers, Pierre, South Dakota.

Sir: In compliance with Section 922, 7067, and 10153, Revised Code of 1919, the Rural Credit Board herewith submits its report covering the period beginning June 30th, 1921 and ending June 30th, 1922.

South Dakota Rural Credit Board,  
C. M. HENRY,  
A. W. EWERT,  
J. E. ZIEBACH,  
ALFRED ZOSKE.



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## REPORT OF RURAL CREDIT BOARD

In accordance with the provisions of the Rural Credit Act it would seem appropriate at this time that a review of the business of the Rural Credit Board be given covering the period from its organization in 1917 up to this time and more particularly setting forth many obstacles which it has encountered during its existence, and the means and manner in which we have tried to meet the conditions. With this in view, we will try and give a complete history of the department from its conception to the date on which this report is to close.

The development of the Rural Credit Department during the five years it has been in operation is a source of the utmost gratification to the founders of the System in this State and to the officers of the Department, who have co-operated with them in the enactment of the legislation and the placing of it in practical operation and the adaptation of the System to the needs of the worthy farmers engaging in safe enterprises. The System is designed especially to promote home-building and home-owning, by giving aid in the purchase of land, live stock and farm machinery, and in the payment of existing mortgages on the land and other legitimate debts. By doing this, we know that the wealth of the State as a whole will be increased.

It appeared that the State ought to use its credit to help the people of the State; that the function of the government is not only to protect the lives and property of the citizens and to protect them in the pursuit of happiness, but it ought to serve the people in that pursuit and help them in their attempts toward greater comfort and prosperity.

If it is true, as we believe it is, that the stability of a country depends on the percentage of property owners, or, rather home owners, and that the man with a comfortable home and in easy circumstances is usually a good citizen, then, how can the state be better served than for its government to decrease the number of farm tenants and increase the number of farmers who own the land they till? It seemed unfair, when the State was borrowing money at four and five per cent and less that farmers had to pay twice as much and often as high as twelve per cent.

In a state so exclusively agricultural as this, whatever will foster, encourage, develop and improve farm property, will tend, also, toward the general good and general welfare of the entire people of this State, whether city or otherwise.

Agriculture is the main industry of South Dakota, and like every other new state, it has been hindered greatly in its development by lack of sufficient capital.

Before there was any serious thought of the Federal Loan System being established, South Dakota decided to take a step forward by going into the Farm Loan business.

Back in 1910, agitation of the subject in this country became quite general. The American and United States Commissions were sent to study the credit systems in European countries in 1913.

The possibilities of the Rural Credit System of the State of South Dakota are so great that if taken up by other states of the union, it would soon be a System which would exceed in its usefulness any of the much lauded co-operative systems of Europe and even our Federal Farm Loan System.

Russia has The Peasant Land Mortgage Bank, which was established by the Government in 1882. Hungary has The Hungarian Land Mortgage Institute, which was established in 1863. Austria has the Galician Realty

Credit Society, which was founded in 1889. The Prussians had the Land-schaft Bank, which was in operation in 1767 and was probably the earliest institution of its kind.

France has its Rural Credit System, and through the Bank of France, assists the Agricultural Rural Credit Banks by rediscounting. While England has a few rural credit and agricultural systems in operation, two of her colonies, Australia and Canada have very successful systems in operation. In 1846, Frederick William Raiffeisen established at Flammersfeld, Germany, the first Raiffeisen Rural Bank, which was organized with a capital of \$1500, and with this small beginning, the Raiffeisen System of Rural Credits spread over Europe and at one time had 17,000 societies in Germany alone, with 8,000 in Austria, 2,000 in Italy and 2,000 in Belgium.

The Rural Credit Law of South Dakota is a model of simplicity. It includes the important features of the cumbersome European systems, and those of our Federal System as well, but these have been sifted out, simplified and completely Americanized.

No local farm loan associations are required as in the Federal Farm Loan plan, and no guarantee of payment is demanded except first mortgage on the land. By eliminating this feature and loaning to the individual farmer direct, the South Dakota System is a long step in advance of all other based on the Farm Association plan.

The State borrows the money which it lends to farmers, borrows it outside of the State, from men who will lend their money to a State cheaper than they will to an individual. The State issues its bonds for the money, takes the mortgage from the farmers and collects from the farmers, as interest and principal become due, and pays the bondholders, as the obligations mature.

There are four safeguards in the law against excessive or improper loans. First: No loan can exceed \$10,000; Second: Loans are made only to men engaged in agricultural or stock-raising pursuits, or the development of same; Third: No loan can be made for more than seventy per cent of the appraised value of the land; Fourth: No loan can be made for a larger amount than the average assessed valuation of the property for the three previous years. The wisdom of the above safeguards has been manifested to the Board on hundreds of occasions since the System has been in operation and they should not be altered or broadened in any way during the present conditions.

This System was organized for the purpose of giving to the farmers cheap money on long time and to aid in the settling up of the State by inducing immigration; also, to help improve conditions of the present residents.

The method of repaying a loan is known as the amortization plan. The word "amortization" comes to us from the European system. The first letter "A" apparently means "to" and the remaining part of the word comes from "mort," meaning death. Then applied literally, it means killing the debt, and this is accomplished at the end of thirty years, a small payment being made annually, in addition to the interest, which is exactly enough to pay up the loan in that length of time.

The business of the State Farm Loan plan is managed by a Rural Credit Board, which is given authority, as to the method of handling the business. The Board consists of five members, of which the Governor is Chairman. The other four members are appointed by the Governor for terms of six years each. Of great importance is the fact that all members of the Board are in hearty accord with the plan and purpose of the law and have tried in every way and have succeeded in getting the results hoped for.

The first step necessary was an amendment to the State Constitution. Under the Constitution the State could never incur an indebtedness of more than \$100,000 and must never lend its credit to any individual, firm or



corporation. By an Act of the Legislature of 1915, a joint resolution was submitted to the voters of the State, proposing to amend Section 1 of Article 13 of our State Constitution to read as follows:

Neither the state nor any county, township or municipality shall loan or give its credit or make any donation to, or in aid of any individual, association or corporation, except for the necessary support of the poor, nor subscribe to or become the owner of the capital stock of any association or corporation, nor pay or become responsible for the debt or liability of any individual, association or corporation, provided, that the state may assume or pay such debt or liability when incurred in time of war for the defense of the state; provided, further that the state or any county or two or more counties jointly may establish and maintain a system of rural credits and thereby loan money and extend credit to the people of this state upon real estate security in such manner and upon such terms and conditions as may be prescribed by general law. Nor shall the state engage in any work of internal improvement.

The above amendment was submitted to a vote of the people at the general election in November, 1916 and was adopted by a substantial majority, there being 57,569 votes for the amendment and 41,957 against it.

When the amendment to the State Constitution was obtained it enabled the Rural Credit plan to be enacted into a law and put in operation, but before this could be done, the necessary enactment by the Legislature, carrying the plan into effect, had to be carried out. This was done by the Legislature of 1917 by the adoption of the House Bill 414 (Chapter 333 of Session Laws) which provided for the establishment and maintenance by the State of South Dakota of a System of Rural Credits and provided for the loaning of money by the State upon real estate within the State; authorized the State to borrow money on its warrants and bonds secured by the good faith and credit of the State for the purpose of maintaining this System of Rural Credits; created the South Dakota Rural Credit Board for the management thereof; defined the powers of such Board and its officers; and provided for an appropriation of Two Hundred Thousand Dollars payable on the order of said Board, to be used in establishing and maintaining the System.

The Governor of South Dakota asked for and obtained from the Judges of the Supreme Court an opinion as to the constitutionality of the Rural Credit Law, and the legality of bonds issued under its provisions. Later, an action was brought to restrain the Board from issuing its bonds. In both instances the Court gave its opinion that the Act was valid and that bonds issued and sold under the provisions of the Law would be valid and binding obligations of the State.

In conformity with the Law, the Governor appointed the members of the Board, which met and organized on June 28, 1917. The first loan was not made until October 20, 1917, the delay having been caused by the legal proceedings necessary to establish the constitutionality of the Act.

The Supreme Court said, in declaring the Farm Loan Plan constitutional: "it develops the Agriculture of the State. When you do that, you help every one, because all prosperity rests on agriculture."

Never in the history of the State or possibly never in the history of the Nation heretofore, have the farmers, business men and financial institutions had to meet such a rise and fall of values as during the last Five years, practically during the life of the Rural Credit System. And not since the Civil War has there been anything that has shaken the foundation of finance as has the fall in prices during the past two years.

Agriculture is our basic industry. If it fails, everything in the State fails. During this period of depression the farmers' products were the

first to fall, in fact during the fall of 1920, there was practically no market at all for his products, and with general slump in prices and business there was no place for him to look for money to meet his maturing obligations, either personal or in the shape of mortgages on the land coming due. Hence, the demand made upon this department was something terrific. Practically all loan companies discontinued making loans during the summer and fall of 1920, and have only recently come into the field to solicit business in a small way. There were months during the summer and fall of 1920 that the Board received as much as Three Million Six Hundred Thousand Dollars in applications, and it was impossible for us to handle this enormous volume of business.

During this time the Board restricted their loans entirely to the purpose of taking up maturing mortgages and the payment of pressing personal obligations, thereby saving many of our worthy farmers from embarrassment and ultimate financial ruin through foreclosure,—bankruptcy in some cases, and loss of their homes. The Rural Credit loan on the amortization plan at a low rate of interest at this critical period gave the farmers the opportunity to consolidate their personal loans at a lower rate of interest and thereby making it possible to re-establish their local credit. The payment of their local indebtedness liquidated loans held by small banks which were in a very critical condition on account of the tremendous slump in deposits thereby making it necessary for these banks to reduce their loans.

If it had not been for the placing of millions of dollars in this manner that went to liquidate bank loans as before stated there are many farmers in the state who would have been forced into bankruptcy as well as banks that would have to close their doors, consequently causing much hardship.

At this time the conditions over the State are such that it has been very difficult for farmers to meet their interest installments when due. In fact many of them have been unable to even pay their taxes. The price of farm products has not as yet advanced sufficiently to pay the costs of production, consequently it is very hard for many of them to raise funds to meet interest installments and taxes, but we have every reason to believe with the crop and improved price this fall, many delinquents will be in a position to pay up.

Since the Board started loaning operations in 1917 the average loan per acre in the various counties has varied but little in the five years that the Act has been in force. In other words, the loan value of lands established by the Board in 1917 and 1918, has been adhered to throughout the period of high values and up to the present time. It cannot be emphasized too strongly that if loans are not considered and made on a reasonably conservative basis, disastrous results will follow. The following table shows average per acre loaned during the seven different periods and speaks for itself—

3,831	loans since date of organization to September 15, 1919, average per acre, \$16.08.
4,826	loans since the date of organization to January 16, 1920, average per acre, \$16.28.
6,110	loans since date of organization to June 30, 1920, average per acre, \$16.21.
7,168	loans since date of organization to December 31, 1920, average per acre, \$15.60.
8,427	loans since date of organization to July 1st, 1921, average per acre, \$15.55.
8,582	loans since date of organization to January 1st, 1922, average per acre, \$15.48.
9,575	loans since date of organization to July 1st, 1922, average per acre, \$15.35.



During the period of five months from July to December 1921, it was necessary for the Board to restrict their loans, owing to the fact that the Bond Market was so unsatisfactory that an issue of Bonds offered in June 1921, could not be sold except at a higher rate of interest than any previous bonds had been marketed. The Board did not deem it advisable to sell any bonds until November 1921, when there was an improvement in the Bond Market, and then sold an issue of Five Million Dollars at five and a half ( $5\frac{1}{2}$ ) percent that brought a premium of \$63,720.00. While there was no doubt, some inconvenience caused by the Board not closing loans during this period, it resulted in a large saving to farmer borrowers. Had this issue been sold during June or July, 1921, the rate of interest would have been more than three-fourths percent higher and that, for the period the bonds run, would have necessitated borrowers from the Rural Credit Board to have paid more than \$750,000.00, additional interest.

Since receiving returns from the November 1921 issue of bonds, loans have been closed as follows:

145 loans closed December 1921, amounting to .....	\$491,100
279 loans closed January 1922, amounting to .....	958,600
138 loans closed February 1922, amounting to .....	449,500
188 loans closed March 1922, amounting to .....	580,900
138 loans closed April 1922, amounting to .....	438,400
111 loans closed May 1922, amounting to .....	333,800
140 loans closed June 1922, amounting to .....	493,100

Up to this time it has not seemed necessary, in the judgment of the Board, to make more than four foreclosures of mortgages, and it is not anticipated that any permanent loss will result to the State in any of these instances. To be sure, it is not to be expected that a loaning business of the magnitude of our system could be conducted over a period of years without some foreclosures. However, the Board feels warranted in saying that up to this time no losses of consequence are apparent.

The Board has felt it to be its duty in the administration of this trust to pursue a liberal policy toward the borrowers of these Rural Credit funds. The unprecedented slump in prices of agricultural products was so tremendous that during 1920-21 very many of the borrowers were not in position to meet their installment payments promptly. The Board granted forbearance in cases where worthy borrowers were unable to pay in full or in part. With the better crops of 1922, and somewhat improved prices, we are convinced that, in general, delinquent borrowers will during the coming year meet their delinquencies. Hundreds of letters of assurance to that effect have been received.

### RECOMMENDATION

The question has been asked if the Board considered it advisable to increase the ten thousand dollar limit on loans as now restricted by the Law. The Board is united in the opinion that the loan limit should not be increased.

For the consideration of the Legislature the Board would recommend that all future loans made by the Board should be restricted to actual residents of the land offered for security, or in an integral part of their farm or ranch holdings. In the past the Board has approved loans in some instances on farm loans that were occupied, improved and producing, but when title owner was not actually residing on the land. In view of the great number of applications that are submitted to the Board, and the knowledge that it is impossible to handle all the mortgage indebtedness of the state, prompts the Board to make this recommendation. In confining loans to actual resident farm owners, still leaves a wide field for opera-



tion, and the great benefits that farmers derive from the state farm loan system, can be continued over a long period of years.

Section 10164 of the Rural Credit Law does not permit the Board to establish and collect any filing or examination fee in connection with the Rural Credit applications. It is the opinion of the Board that a reasonable fee should be permitted to overcome in part at least, the expense incurred in handling applications, papers and expense of examination of lands. Of the number of applications received, about forty percent are never closed as loans, and there has been an average expense of at least fifteen dollars for each application filed and inspected, it would be no more than just that this expense be distributed to cover all loan applications submitted rather than to be a general expense charge that must be met by applicants who complete their loans.

The funds of the Board derived from the sale of bonds have, in the interim between the sale of such bonds and the closing of loans, been transferred from the Eastern purchasing banks to the depositaries within the State as promptly as possible, in order that the citizens of this State might, directly and indirectly, receive the greatest possible amount of good therefrom; and it has been the policy of the Board to designate depositaries in every section of the State so as to effect as wide a distribution of this temporary use of funds as possible. At the same time the rates of interest upon the deposits in such depositaries have been fixed at the highest rates that could be justified for the different classes of accounts, in order that the loss upon such funds during the interim referred to might be as small as possible. The rate paid on Active Checking Accounts has been  $3\frac{1}{2}\%$ ; on Inactive Checking Accounts  $5\%$ ; and on Certificates of Deposit  $6\%$ , and the amount of interest derived upon such deposits up to the close of this fiscal year has amounted to \$380,872.07. At the close of the fiscal year there were 289 depositaries.

At the time of the passage of the Rural Credit Act it was difficult to foresee what the daily volume of the transactions of the Board, after it became fully established and under way, might be, and certain restrictions and limitations for the safeguarding of the funds should be removed or their scope increased so that the business of the Board, in the handling of its daily business may be legally accomplished with a minimum of delay and risk. During the active loaning periods following the sale of bonds, warrants to an extent, at times reaching from \$50,000.00 to \$200,000.00 per day are presented to the Treasurer for payment. These warrants must be settled on a cash basis, that is to say, at least in exchange upon Central Par Points located outside the State of South Dakota, from which sources most of such warrants are daily forwarded for settlement.

Under existing banking practices, checks drawn upon depositaries outside the City of Pierre are not acceptable in accomplishing such settlements for the reason that it requires days of time to realize the funds upon such checks. It therefore becomes a practical necessity that the Board be permitted to approve of a few depositaries outside the State of South Dakota, and that the restriction to 40 per cent of the Capital and Surplus of Active Depositaries, not only in the City of Pierre, but in the principal cities of the State of South Dakota, be raised to 100 per cent, subject to the requirement that in all cases, all such deposits in excess of said 40 per cent of Capital and Surplus of such Active Depositaries, whether State or National Banks, shall be secured by Bonds of Surety Companies authorized to do business in the State. During the past year it has been practically impossible to accomplish these settlements without the use of greater sums than 40 per cent of the Capital and Surplus of the depositary banks located in the City of Pierre; and the difficulty in accomplishing the daily settlements has been greatly increased by reason of the slowness with which returns are received upon items sent out for



collection. Collection accounts with Active Depositaries should, under proper restrictions, be authorized and provided for.

The following tables show not only the business of the fiscal year but also cover the entire period of operation of the Board.

We wish to submit the following statement showing the condition of business of the Board beginning, October 1st, 1917, to the close of business, June 30th, 1922.

We have received since commencing operation on October 1st, 1917, 17025 applications coming from sixty six counties and amounting to \$75,805,976.52. Action has been taken upon these applications as follows:

*9575	Applications have been closed as loans amounting to .....	\$37,901,150.00
526	Applications have been approved and are waiting abstracts for closing, amounting to .....	1,760,100.00
921	Applications are on hand for investigation of the Board amounting to .....	3,814,250.00
6003	Applications have been cancelled or rejected for various reasons and the following amount includes all reductions made on applications .....	32,330,476.52
17025		\$75,805,976.52

\*Face of loans at time of closing upon which payments have been made amounting to \$1,958,966.98. Statement in back of report shows the payments deducted.

To meet this demand for loans and to be able to close same, we have issued Rural Credit Bonds amounting to—

Series A, Bonds, issued Sept. 1st, 1917 .....	500,000.00
Series B, Bonds, issued Dec. 1st, 1917 .....	500,000.00
Series C, Bonds, issued Jan. 15th, 1918 .....	500,000.00
Series D, Bonds, issued Feb. 15th, 1918 .....	500,000.00
Series E, Bonds, issued March 1st, 1918 .....	500,000.00
Series F, Bonds, issued April 15th, 1918 .....	675,000.00
Series G, Bonds, issued April 15th, 1918 .....	1,750,000.00
Series H, Bonds, issued May 15th, 1918 .....	1,500,000.00
Series J, Bonds, issued Jan. 1st, 1919 .....	4,000,000.00
Series K, Bonds, issued March 15th, 1919 .....	3,000,000.00
Series L, Bonds, issued June 1st, 1919 .....	4,000,000.00
Series M, Bonds, issued Oct. 1st, 1919 .....	3,575,000.00
Series N, Bonds, issued Jan. 15th, 1920 .....	5,000,000.00
Series O, Bonds, issued May 1st, 1920 .....	1,000,000.00
Series R, Bonds, issued July 1st, 1920 .....	2,000,000.00
Series S, Bonds, issued Oct. 1st, 1920 .....	2,500,000.00
Series A-1921 Bonds issued Jan. 15, 1921 .....	2,500,000.00
Series B-1921 Bonds issued Jan. 15th, 1921 .....	2,500,000.00
Series C-1921 Bonds issued Dec. 1st, 1921 .....	5,000,000.00
	<b>\$41,500,000.00</b>

The following is a detailed statement of Rural Credit Bonds issued and out-standing on June 30th, 1922, giving in detail, The Series, Date Issued, Amount of Issue, Rate of Interest, Sale Price, Amount of Discount, Amount of Premium and Annual Interest charge on each issue.

Series	Issued	Amount	Rate Interest	Sale Price	Discount	Premiums	Annual Interest
A	Sept. 1st, 1917	\$500,000.00	4 3/4 %	100			23,750.00
B	Dec. 1st, 1917	500,000.00	4 3/4 %	100			23,750.00
C	Jan. 15th, 1918	500,000.00	4 3/4 %	100			23,750.00
D	Feb. 15th, 1918	500,000.00	4 3/4 %	100			23,750.00
E	March 1st, 1918	500,000.00	4 3/4 %	100			23,750.00
F	April 15th, 1918	675,000.00	4 3/4 %	93.85	41,478.75		32,062.50
G	April 15th, 1918	725,000.00	5 %	{ 96.93 }	22,257.50		{ 36,250.00 }
		{ 1,025,000.00 }		{ 100.00 }			{ 51,250.00 }
H	May 15th, 1918	1,500,000.00	5 %	97.12	43,155.00		75,000.00
J	Jan. 1st, 1919	{ 3,000,000.00 }	4 3/4 %	{ 98.41 }	78,923.50		{ 142,500.00 }
		{ 1,000,000.00 }		{ 97.64 }			{ 47,500.00 }
K	March 15th, 1919	3,000,000.00	5 %	100		30,000.00	150,000.00
L	June 1st, 1919	4,000,000.00	5 %	100.75		21,450.00	200,000.00
M	October 1st, 1919	3,575,000.00	5 %	100.60			178,750.00
N	January 15th, 1920	5,000,000.00	5 %	97.21	139,500.00		250,000.00
O	May 1st, 1920	1,000,000.00	6 %	98.96	10,400.00		60,000.00
R	July 1st, 1920	2,000,000.00	5 1/2 %	93.50	130,000.00		110,000.00
S	October 1st, 1920	2,500,000.00	6 %	100.14		3,600.00	150,000.00
A-1921	January 15th, 1921	2,500,000.00	6 %	101.00		25,000.00	150,000.00
B-1921	January 15th, 1921	2,500,000.00	5 1/2 %	97.40	65,000.00		137,500.00
C-1921	December 1st, 1921	5,000,000.00	5 1/2 %	101.27		63,720.00	275,000.00
Total		\$41,500,000.00			\$530,714.75	\$143,770.00	\$2184,562.50



**CONDENSED STATEMENT**

**Of the Condition of the Rural Credit Board at the Close of Business, June 30, 1922**

**Resources**

Net Mortgage Loans in Force .....	\$35,942,183.02	
Accrued Interest on Mortgage Loans .....	2,197,165.25	
Cash in Banks .....	3,792,181.91	
Due from State Treasurer, Balance Appropriation .....	240,000.00	
*Discount on Bonds Sold .....	530,714.75	
Furniture and Fixtures .....	16,208.88	\$42,718,453.81

**Liabilities**

Bonds Outstanding .....	\$41,500,000.00	
Accrued Interest on Bonds .....	493,762.06	
General Appropriation .....	300,000.00	
Partial Payments on Installments .....	125,334.64	
Net Credit Balance .....	299,357.11	\$42,718,453.81

\*To be amortized in ten years out of correspondingly increased interest rate accruing on mortgage loans.

**Interest Statement—July 1st, 1917 to June 30th, 1922****Interest Received:**

Interest Received on Farm Loans .....	\$ 3,069,498.59	
Interest Accrued and Unpaid on Farm Loans .....	2,197,165.25	
Interest Received on Average Daily Balances .....	380,872.07	
Interest Received on Delinquent Installments .....	19,313.20	
Interest Received as Accrued Interest on Bonds .....	143,729.58	\$ 5,810,578.69

**Interest Paid:**

Interest Paid on Bonds .....	\$ 4,928,875.00	
Interest Accrued on Bonds, but not due ...	493,762.06	\$ 5,422,637.06
Excess of Interest Received and Accrued over paid out and accrued .....		\$ 387,941.63

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### STATEMENT OF EARNING ABILITY

Based on the Business of Rural Credit Board as it Appears on June 30,  
1922

#### Income

Mortgage Loans—		Annual Earnings
\$18,741,840.01	drawing interest at 5½ %	\$1,030,801.20
5,623,615.85	drawing interest at 6 %	337,416.95
11,576,727.16	drawing interest at 7 %	810,370.90

Cash in Banks Earning from three  
to six per cent as follows:

\$1,283,253.12	Certificates of Deposit	
at .....	6 %	76,995.18
529,576.50	Open account .....	26,478.82
1,710,956.75	Active Account .....	59,883.48
490,384.84	New York and Partial payment account .....	14,711.54

Gross annual Earning Ability

\$2,356,658.07

#### Out-Go

Bonds Outstanding and Annual Interest Charge—

Series	Date Issued	Amount	Rate	Annual Interest
A	Sept. 1, 1917	\$ 500,000.00	4¾ %	\$ 23,750.00
B	Sept. 15, 1917	500,000.00	4¾ %	23,750.00
C	Jan. 15, 1918	500,000.00	4¾ %	23,750.00
D	Feb. 15, 1918	500,000.00	4¾ %	23,750.00
E	Mar. 1, 1918	500,000.00	4¾ %	23,750.00
F	Apr. 15, 1918	675,000.00	4¾ %	32,062.00
G	Apr. 15, 1918	1,750,000.00	5 %	87,500.00
H	May 15, 1918	1,500,000.00	5 %	75,000.00
J	Jan. 1, 1919	4,000,000.00	4¾ %	190,000.00
K	Mar. 15, 1919	3,000,000.00	5 %	150,000.00
L	June 1, 1919	4,000,000.00	5 %	200,000.00
M	Oct. 1st, 1919	3,575,000.00	5 %	178,750.00
N	Jan. 15, 1920	5,000,000.00	5 %	250,000.00
O	May 1, 1920	1,000,000.00	6 %	60,000.00
R	July 1, 1920	2,000,000.00	5½ %	110,000.00
S	Oct. 1, 1920	2,500,000.00	6 %	150,000.00
A-1921	Jan. 15, 1921	2,500,000.00	6 %	150,000.00
B-1921	Jan. 15, 1921	2,500,000.00	5½ %	137,500.00
C-1921	Dec. 1, 1921	5,000,000.00	5½ %	275,000.00

Total amount of Bonds

issued .....\$41,500,000.00

Total Annual Interest Charge .....\$2,164,562.50

Actual Expense of Conducting Business of  
Board for Fiscal Year Ending June 30, 1922 61,338.82

Total Annual Out-go ..... 2,225,901.32

Net Annual Gain..... \$ 130,756.75



## RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Condition at the close of Business on June 30th, 1921.

## RESOURCES

Farm Loans, Net Amount .....	\$32,700,299.42
Interest Paid on Bonds .....	2,901,812.50
Officers and Employees, Salaries .....	100,448.65
Legal Expenses .....	8,605.30
Postage and Office Expense .....	12,037.45
Expense in Examination of Land .....	21,979.47
Furniture and Fixtures .....	13,030.49
Miscellaneous Expense .....	27,944.83
Cash on Hand .....	2,528,202.59
State Treasurers Balance Appropriation .....	240,000.00
Discount on Bonds .....	530,714.75

TOTAL .....\$39,085,075.45

## LIABILITIES

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, Outstanding .....	36,500,000.00
Accrued Interest on Bonds .....	129,979.58
Interest received on Average Daily Balance .....	225,870.55
Interest received on Farm Loans .....	1,838,588.57
Interest on Delinquent Installments .....	3,736.75
Premium received on Bonds .....	80,050.00
Interest on State Warrants .....	6,850.00

TOTAL .....\$39,085,075.45

## RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Condition at the close of Business on June 30th, 1922.

## RESOURCES

Farm Loans, Net Amount .....	\$35,942,183.02
Interest Paid on Bonds .....	4,928,875.00
Officers and Employees Salaries .....	140,616.66
Legal Expenses .....	9,686.90
Postage and Office Expense .....	15,860.61
Expense in Examination of Land .....	30,027.65
Furniture and Fixtures .....	16,208.88
Miscellaneous Expense .....	36,162.70
Cash on Hand .....	3,792,181.91
State Treasurers Balance Appropriation .....	240,000.00
Discount on Bonds .....	530,714.75

TOTAL .....\$45,682,518.08

## LIABILITIES

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, Outstanding .....	41,500,000.00
Accrued Interest on Bonds .....	143,729.58
Interest on Average Daily Balance .....	380,872.07
Interest received from Farm Loans .....	3,062,648.59
Interest on Delinquent Installments .....	19,313.20
Premium on Bonds .....	143,770.00
Interest Received on State Warrants .....	6,850.00
Partial Payments on Installments .....	125,334.64
<b>TOTAL .....</b>	<b>\$45,682,518.08</b>

The following is a brief summary of the business transacted by the Board during the twelve months ending June 30th, 1922, showing the amounts received and expended under each heading according to our records.

## RECEIPTS

Cash Balance on Hand June 30th 1921 (includes unexpended balance of appropriation in hands of State Treasurer of \$240,000.00) .....	\$2,768,202.59
*Amount received from sale of Bonds .....	\$5,000,000.00
Amount received from accrued interest on Bonds .....	13,750.00
Amount received as Interest on Average Daily Balance .....	155,001.52
Amount received as Interest on Farm Loans ..	1,224,060.02
Amount received as Principal on Farm Loans ..	534,316.40
Amount received as Premium on Bonds ....	63,720.00
Amount received as Interest on Delinquent Installments .....	15,576.45
Amount received as Partial Payments .....	125,334.64
	<b>\$7,131,759.03</b>
	<b>\$9,899,961.62</b>

## DISBURSEMENTS

Amount of Farm Loans Closed .....	\$3,776,200.00
Amount of Interest paid on Bonds .....	2,027,062.50
Amount of Salaries .....	40,168.01
Amount of Legal Expenses .....	1,081.60
Amount of Postage and Supplies .....	3,823.16
Amount of Expense in Examination of Land ..	8,048.18
Amount of Expense for Furniture & Fixtures ..	3,178.39
Amount of Miscellaneous Expense .....	8,217.87
	<b>\$5,867,779.71</b>

Cash Balance on Hand June 30th 1922 (includes unexpended balance of appropriation in hands of State Treasurer of \$240,000.00) .....	\$4,032,181.91
	<b>\$9,899,961.62</b>

\*Face amount of Bonds, actual cash received was plus premium.



**Distribution by Counties of Loans Made by the South Dakota Rural Credit Board  
From July 1, 1917 to July 1, 1922**

COUNTY	No. of Loans in each County	Am't of Money Loaned in each County	No. of Acres in each County held as Secur- ity for Loans	Average Am't Loaned Per Acre in each County
Armstrong	2	\$ 6,600.00	1,368	\$ 4.82
Aurora	71	436,200.00	14,756	29.56
Beadle	277	1,742,000.00	55,784	31.22
Bennett	38	92,000.00	14,526	6.33
Bon Homme	43	334,200.00	6,289	53.13
Brookings	229	1,720,100.00	36,739	46.81
Brown	164	895,300.00	35,040	25.55
Brule	166	1,048,800.00	42,556	24.64
Buffalo	74	360,500.00	23,785	15.15
Butte	92	285,800.00	22,986	12.43
Campbell	81	347,100.00	26,781	12.96
Charles Mix	117	728,100.00	22,127	32.90
Clark	113	704,400.00	22,750	30.96
Clay	35	271,200.00	4,103	66.09
Codington	35	218,900.00	6,452	33.92
Corson	179	319,600.00	52,152	6.12
Custer	34	68,800.00	14,019	4.90
Davison	41	297,400.00	6,014	49.45
Day	179	931,800.00	34,067	27.35
Deuel	45	262,700.00	7,228	36.34
Dewey	130	239,800.00	31,675	7.57
Douglas	6	46,000.00	1,318	34.90
Edmunds	123	535,700.00	28,926	18.51
Fall River	63	104,700.00	21,975	4.76
Faulk	150	645,300.00	35,868	17.99
Grant	58	366,500.00	11,616	31.55
Gregory	271	1,407,700.00	59,177	23.78
Haakon	458	904,800.00	154,830	5.84
Hamlin	22	132,600.00	4,001	33.14
Hand	399	2,028,100.00	98,942	20.48
Hanson	47	371,100.00	8,737	42.47
Harding	324	524,700.00	121,618	4.31
Hughes	138	510,000.00	42,298	12.05
Hutchinson	24	193,000.00	3,924	49.18
Hyde	121	520,300.00	37,316	13.94
Jackson	210	414,750.00	57,831	7.17
Jones	309	834,100.00	112,515	7.41
Jerauld	226	1,349,900.00	51,789	26.06
Kingsbury	157	1,068,100.00	27,398	38.90
Lake	65	507,900.00	10,379	48.93
Lawrence	37	148,900.00	11,367	13.09
Lincoln	54	454,100.00	7,186	63.19
Lyman	180	548,800.00	58,576	9.36
McCook	47	337,000.00	7,891	42.70
McPherson	96	341,400.00	21,879	15.60
Marshall	111	549,000.00	22,332	24.58
Meade	380	534,300.00	112,498	4.74
Mellette	197	368,300.00	58,152	6.33
Miner	138	959,100.00	22,159	43.28
Minnehaha	82	596,900.00	11,097	53.78
Moody	30	230,100.00	4,524	50.86
Pennington	163	354,600.00	59,143	5.99
Perkins	753	1,181,500.00	233,672	5.05
Potter	52	204,200.00	14,430	14.15
Roberts	146	641,700.00	23,672	27.10
Sanborn	121	762,600.00	21,279	35.83
Shannon	1	1,000.00	160	6.25
Spink	268	1,712,800.00	57,792	29.63
Stanley	261	431,100.00	75,682	5.69
Sully	147	599,400.00	45,800	13.08
Todd	21	47,200.00	4,744	9.94
Tripp	446	1,373,800.00	90,418	15.19

**Distribution by Counties of Loans Made by the South Dakota Rural Credit Board  
From July 1, 1917, to July 1, 1922—Concluded**

COUNTY	No. of Loans in each County	Am't of Money Loaned in each County	No. of Acres held as Secur- ity for Loans	Average Am't Loaned Per Acre in each County
Turner .....	39	250,900.00	4,808	52.18
Union .....	40	295,300.00	4,502	65.59
Walworth .....	43	203,300.00	12,005	16.93
Washington .....	28	2,800.00	480	5.83
Washabaugh .....	45	124,500.00	19,235	6.47
Yankton .....	52	397,900.00	7,696	51.70
Ziebach .....	307	472,100.00	83,466	5.65
<b>TOTAL .....</b>	<b>9575</b>	<b>\$37,901,150.00</b>	<b>2,468,300</b>	<b>\$15.35</b>

Total Number of Loans East of Missouri River, 4672 amounting to \$27,108,900.00.  
Total Number of Loans West of Missouri River, 4903 amounting to \$10,792,250.00.

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ANNUAL REPORT OF THE

FEB 27 1924

OF THE UNIVERSITY OF ILLINOIS

# RURAL CREDIT BOARD

FOR THE

State of South Dakota

FOR THE

FISCAL YEAR ENDING JUNE 30th

1923

---

W. H. McMASTER, Governor  
*President*

C. M. HENRY  
*Commissioner*

A. W. EWERT  
*Treasurer*

ALFRED ZOSKE

J. E. ZIEBACH





ANNUAL REPORT  
OF THE  
**RURAL CREDIT  
BOARD**

FOR THE  
  
State of South Dakota

FOR THE  
  
FISCAL YEAR ENDING JUNE 30th

**1923**  
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ALFRED ZOSKE

J. E. ZIEBACH

**STATE OF SOUTH DAKOTA RURAL CREDIT BOARD**

---

Honorable Wm. H. McMaster, Governor,

Executive Chambers, Pierre, South Dakota.

Sir: In compliance with Section 922, 7067, and 10153, Revised Code of 1919, the Rural Credit Board herewith submits its report covering the period beginning June 30th, 1922 and ending June 30th, 1923.

South Dakota Rural Credit Board,

C. M. HENRY,

A. W. EWERT,

J. E. ZIEBACH,

ALFRED ZOSKE.



## REPORT OF RURAL CREDIT BOARD

In accordance with the provisions of the Rural Credit Act it would seem appropriate at this time that a review of the business of the Rural Credit Board be given covering the period from its organization in 1917 up to this time and more particularly setting forth many obstacles which it has encountered during its existence, and the means and manner in which we have tried to meet the conditions. With this in view, we will try and give a complete history of the department from its conception to the date on which this report is to close.

The development of the Rural Credit Department during the six years it has been in operation is a source of the utmost gratification to the founders of the System in this State and to the officers of the Department, who have co-operated with them in the enactment of the legislation and the placing of it in practical operation and the adaptation of the System to the needs of the worthy farmers engaging in safe enterprises. The System is designed especially to promote home-building and home-owning, by giving aid in the purchase of land, live stock and farm machinery, and in the payment of existing mortgages on the land and other legitimate debts. By doing this, we know that the wealth of the State as a whole will be increased.

It appeared that the State ought to use its credit to help the people of the State; that the function of the government is not only to protect the lives and property of the citizens and to protect them in the pursuit of happiness, but it ought to serve the people in that pursuit and help them in their attempts toward greater comfort and prosperity.

If it is true, as we believe it is, that the stability of a country depends on the percentage of property owners, or, rather home owners, and that the man with a comfortable home and in easy circumstances is usually a good citizen, then, how can the state be better served than for its government to decrease the number of farm tenants and increase the number of farmers who own the land they till? It seemed unfair, when the State was borrowing money at four and five per cent and less than the farmers had to pay twice as much and often as high as twelve per cent.

In a state so exclusively agricultural as this, whatever will foster, encourage, develop and improve farm property, will tend, also, toward the general good and general welfare of the entire people of this State, whether city or otherwise.

Agriculture is the main industry of South Dakota, and like every other new state, it has been hindered greatly in its development by lack of sufficient capital.

Before there was any serious thought of the Federal Loan System being established, South Dakota decided to take a step forward by going into the Farm Loan business.

Back in 1910, agitation of the subject in this country became quite general. The American and United States Commissions were sent to study the credit systems in European countries in 1913.

The possibilities of the Rural Credit System of the State of South Dakota are so great that if taken up by other states of the union, it would soon be a System which would exceed in its usefulness any of the much lauded co-operative systems of Europe and even our Federal Farm Loan System.

Russia has The Peasant Land Mortgage Bank, which was established by the Government in 1882. Hungary has The Hungarian Land Mortgage Institute, which was established in 1863. Austria has the Galacian Realty Credit Society, which was founded in 1889. The Prussians had the Land-schaft Bank, which was in operation in 1767, and was probably the earliest institution of its kind.

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France has its Rural Credit System, and through the Bank of France, assists the Agricultural Rural Credit Banks by rediscounting. While England has a few rural credit and agricultural systems in operation; two of her colonies, Australia and Canada have very successful systems in operation. In 1846, Frederick William Raiffeisen established at Flammersfeld, Germany, the first Raiffeisen Rural Bank, which was organized with a capital of \$1500 and with this small beginning, the Raiffeisen System of Rural Credits spread over Europe and at one time had 17,000 societies in Germany alone, with 8,000 in Austria, 2,000 in Italy and 2,000 in Belgium.

The Rural Credit Law of South Dakota is a model of simplicity. It includes the important features of the cumbersome European systems, and those of our Federal System as well, but these have been sifted out, simplified and completely Americanized.

No local farm associations are required as in the Federal Farm Loan plan, and no guarantee of payment is demanded except first mortgage on the land. By eliminating this feature and loaning to the individual farmer direct, the South Dakota System is a long step in advance of all other based on the Farm Association plan.

The State borrows the money which it lends to farmers, borrows it outside of the State, from men who will lend their money to a State cheaper than they will to an individual. The State issues its bonds for the money, takes the mortgage from the farmers and collects from the farmers, as interest and principal become due, and pays the bondholders, as the obligations mature.

There are four safeguards in the law against excessive or improper loans, First: No loan can exceed \$10,000; Second: Loans are made only to men engaged in agricultural or stock-raising pursuits, or the development of same; Third: No loan can be made for more than seventy per cent of the appraised value of the land; Fourth: No loan can be made for a larger amount than the average assessed valuation of the property for the three previous years. The wisdom of the above safeguards has been manifested to the Board on hundreds of occasions since the System has been in operation and they should not be altered or broadened in any way during the present conditions.

This System was organized for the purpose of giving to the farmers cheap money on long time and to aid in the settling up of the State by inducing immigration; also, to help improve conditions of the present residents.

The method of repaying a loan is known as the amortization plan. The word "amortization comes to us from the European system. The first letter "A" apparently means "to" and the remaining part of the word comes from "mort", meaning death. Then applied literally, it means killing the debt, and this is accomplished at the end of thirty years, a small payment being made annually, in addition to the interest, which is exactly enough to pay up the loan in that length of time.

The business of the State Farm Loan plan is managed by a Rural Credit Board, which is given authority, as to the method of handling the business. The Board consists of five members, of which the Governor is Chairman. The other four members are appointed by the Governor for terms of six years each. Of great importance is the fact that all members of the Board are in hearty accord with the plan and purpose of the law and have tried in every way and have succeeded in getting the results hoped for.

The first step necessary was an amendment to the State Constitution. Under the Constitution the State could never incur an indebtedness of more than \$100,000 and must never lend its credit to any individual, firm or corporation. By an Act of the Legislature of 1915, a joint resolution

was submitted to the voters of the State, proposing to amend Section 1 of Article 13 of our State Constitution to read as follows:

Neither the state nor any county, township or municipality shall loan or give its credit or make any donation to, or in aid of any individual, association or corporation, except for the necessary support of the poor, nor subscribe to or become the owner of the capital stock of any association or corporation, nor pay or become responsible for the debt or liability of any individual, association or corporation, provided, that the state may assume or pay such debt or liability when incurred in time of war for the defense of the state; provided, further that the state or any county or two or more counties jointly may establish and maintain a system of rural credits and thereby loan money and extend credit to the people of this state upon real estate security in such manner and upon such terms and conditions as may be prescribed by general law. Nor shall the state engage in any work of internal improvement.

The above amendment was submitted to a vote of the people at the general election in November, 1916, and was adopted by a substantial majority, there being 57,569 votes for the amendment and 41,957 against it.

When the amendment to the State Constitution was obtained it enabled the Rural Credit plan to be enacted into a law and put in operation, but before this could be done, the necessary enactment by the Legislature, carrying the plan into effect, had to be carried out. This was done by the Legislature of 1917 by the adoption of the House Bill 414 (Chapter 333 of Session Laws) which provided for the establishment and maintenance by the State of South Dakota of a System of Rural Credits and provided for the loaning of money by the State upon real estate within the State; authorized the State to borrow money on its warrants and bonds secured by the good faith and credit of the State for the purpose of maintaining this System of Rural Credits; created the South Dakota Rural Credit Board for the management thereof; defined the powers of such Board and its officers; and provided for an appropriation of Two Hundred Thousand Dollars payable on the order of said Board, to be used in establishing and maintaining the System.

The Governor of South Dakota asked for and obtained from the Judges of the Supreme Court an opinion as to the constitutionality of the Rural Credit Law, and the legality of bonds issued under its provisions. Later, an action was brought to restrain the Board from issuing its bonds. In both instances the Court gave its opinion that the Act was valid and that bonds issued and sold under the provisions of the Law would be valid and binding obligations of the State.

In conformity with the Law, the Governor appointed the members of the Board, which met and organized on June 28, 1917. The first loan was not made until October 20, 1917, the delay having been caused by the legal proceedings necessary to establish the constitutionality of the Act.

The Supreme Court said, in declaring the Farm Loan Plan constitutional: "it develops the Agriculture of the State. When you do that, you help every one, because all prosperity rests on agriculture."

Since the Board started loaning operations in 1917, the average loan per acre in the various counties has varied but little in the six years that the Act has been in force. In other words, the loan value of lands established by the Board in 1917 and 1918 has been adhered to throughout the period of high values and up to the present time. It cannot be emphasized too strongly that if loans are not considered and made on a reasonably conservative basis, disastrous results will follow. The following table



shows the average per acre loaned during the nine different periods and speaks for itself:

3831 loans to September 15, 1919,	average per acre	\$16.08
4826 loans to January 16, 1920,	average per acre	\$16.28
6160 loans to June 30, 1920,	average per acre	\$16.21
7168 loans to December 31, 1920,	average per acre	\$15.60
8427 loans to July 1st, 1921,	average per acre	\$15.55
8582 loans to January 1st, 1922,	average per acre	\$15.48
9575 loans to July 1st, 1922,	average per acre	\$15.35
10322 loans to January 1st, 1923,	average per acre	\$15.11
11222 loans to July 1st, 1923,	average per acre	\$14.80

In another table will be found a complete list of the number of loans made in the various counties, the amount loaned, the average loan per acre and the 1923 assessed value of lands. From this table, one, who is at all familiar with the land and values in his county, can judge if the Rural Credit loans have been placed on a conservative basis.

The following paragraph is taken from the last annual report of the Board:

"For the consideration of the Legislature, the Board would recommend that all future loans made by the Board should be restricted to actual residents of the land offered for security; or, in an integral part of their farm, or ranch holdings. In the past, the Board has approved loans in some instances on lands that were occupied, improved and producing, but when title owner was not actually residing on the land. In view of the great number of applications that are submitted to the Board, and the knowledge that it is impossible to handle all the mortgage indebtedness of the State, prompts the Board to make this recommendation. In confining loans to actual resident farm owners, still leaves a wide field for operation, and the great benefits that farmers derive from the state loan system, can be continued over a long period of years."

A bill covering this recommendation was introduced in the 1923 Session of the Legislature, and passed the Senate, but failed of passage in the House of Representatives during the confusion of measures in the final days of the session. Since then, the Board has adopted, by resolution, the purpose of this recommendation, and loans are not considered now that come under these restrictions.

Section No. 10164 of the Rural Credit Law does not permit the Board to establish and collect any filing, or examination fee in connection with the Rural Credit applications. It is the opinion of the Board that a reasonable fee should be permitted to overcome, in part, at least, the expense incurred in handling applications, papers and expense of examination of lands. Of the number of applications received, about forty per cent are never closed as loans, and there has been an average expense of, at least, fifteen dollars for each application filed and inspected, and it would be no more than just that this expense be distributed to cover all loan applications submitted rather than to be a general expense charge, which must be met by applicants, who complete their loans.

At the close of the fiscal year, the Board had funds deposited in 276 different banks in the state. The rate of interest paid in active checking accounts has been  $3\frac{1}{2}\%$ , on inactive checking accounts 5% and on Certificates of deposits 5%. The Law requires a surety bond on all deposits placed in National Banks. In State Banks, the Law does not require bonds, as the deposits are protected by the State Guarantee Fund.

The question has been asked if the Board considered it advisable to increase the ten thousand dollar limit on loans, as now restricted by law. The Board is united in the opinion that the limit should not be increased.

There was some discussion during the last session of the Legislature and in the press relative to a limit being fixed by the Legislature on the amount of Rural Credit Bonds that should be issued. The several issues made in the past six years now amount to \$44,500,000.00. It has always been the opinion of the Board that bonds issues should never exceed \$60,000,000.00, but has not deemed it advisable to arbitrarily fix the limit until the agricultural condition of the country has shown further improvement.

The problem that confronts the Rural Credit Board is the same that confronts all agencies that loan money on farm securities. The adverse conditions that have prevailed in all agricultural and stock raising sections of the country are so well known that discussion does not seem necessary. The problem of prompt interest payments is the only one that has caused the Rural Credit Board any anxiety, but the marked improvement in interest payments in 1922 over 1921 has been encouraging and the Board feels that with one or two good crops and reasonable returns, this problem will be fully overcome. The net earnings of the Board now total approximately \$150,000.00, annually, and this surplus will create a fund far beyond any loss that will be sustained in lands taken over by foreclosure.

In the matter of collections of interest, the Board has pursued a policy that took into consideration the agricultural interests of the state as a whole and that of each delinquent borrower. Realizing that there would be practically no delinquencies if agricultural and banking interests were on a normal basis, the Board has not considered that a ruthless policy of foreclosure was justified. On the other hand, personal examination of the affairs of each delinquent borrower is made and reports filed by Members of the Board and Field Men, and only in cases where the outcome was considered hopeless, or doubtful, have foreclosure proceedings been instituted.

Up to the present time, seventy-five loans have been foreclosed, but of these, fifteen have either been redeemed or re-instated, and indications are that in most cases some settlement will be made by subsequent lien holders, before the expiration of the year of redemption. The Board does not anticipate that any permanent loss will result to the State in any of the cases foreclosed. We find, that in most cases, it is not the original mortgage that has caused the loan to become delinquent, but subsequent mortgages have been given to such an extent that the burden of debt has become so large that financial recovery is made impossible.

The annual interest on the bonds issued amounts to \$2,307,062.50 and payments come due in every month of the year. These payments have to be met on the day they are due, or the whole credit of the state would be lost, and no bonds of any character could be sold in the markets of the country. A certain reserve is absolutely necessary to administer the law successfully. This would not be as large as the Board deems advisable at this time, were it not for the fact that conditions in all parts of the state are such that many, who have State Rural Credit loans have not been able to meet their interest payments, when due.

There are some, who are not friendly to the Rural Credit System, and who have criticized the Board for holding any reserve, and make the unwarranted charge that the Board is loaning money to the banks of the state, and that this reserve should be placed in farm loans. It is true that this reserve is deposited in the banks of the state and is all drawing interest,

and indirectly is of benefit to the banks and the communities, which they serve, but the real purpose of this reserve and deposits is to make sure that interest payments on bonds, when due, can be promptly met. Any other course would endanger the credit of the state and make it impossible for the Board to dispose of any future bond issues.

The legislature appropriated \$300,000.00 to enable the act to be put into effect, and of this amount, \$60,000.00 has been drawn by the Board, and the balance of \$240,000.00 remains in the state treasury, and the interest of the same goes to the state, and not to the Rural Credit Board. If this \$60,000.00 were returned to the state treasury, which it could be, not one cent of the general tax payer's money would be involved in the operations of the Rural Credit Act.

#### RURAL CREDIT LOANS CLOSED BY MONTHS FROM JULY 1st, 1922 TO JUNE 30th, 1923.

Month	Year	Number	Am't. of Loans Closed
July .....	1922	163	\$ 634,000.00
August .....	1922	128	480,100.00
September .....	1922	142	505,900.00
October .....	1922	122	354,900.00
November .....	1922	37	125,000.00
December .....	1922	150	466,800.00
January .....	1923	229	802,900.00
February .....	1923	188	609,800.00
March .....	1923	142	453,700.00
April .....	1923	135	380,900.00
May .....	1923	124	400,700.00
June .....	1923	78	266,800.00
TOTAL .....		1638	\$5,481,500.00

We wish to submit the following statement, showing conditions of business of the Board beginning, October 1st, 1917, to the close of business, June 30th, 1923.

We have received since commencing operation on October 1st, 1917, 20,105 applications coming from sixty-six counties and amounting to \$88,471,276.52. Action has been taken upon these applications as follows:

11,222	Applications have been closed as loans, amounting to \$43,382,650.00	
525	Applications have been approved and are waiting abstracts for closing, amounting to .....	1,897,800.00
804	Applications are on hand for investigation of the Board, amounting to .....	3,256,800.00
7,554	Applications have been rejected or cancelled for various reasons and the following amount includes all reductions made on applications .....	39,934,126.52
20,105		\$88,471,276.52

Face of loans at time of closing upon which payments have been made amounting to \$2,951,264.55. Statement in back of report shows the payments deducted.



To meet this demand for loans and to be able to close same, we have issued Rural Credit Bonds amounting to—

Series A, Bonds, issued September 1st, 1917 .....	\$ 500,000.00
Series B, Bonds, issued December 1st, 1917 .....	500,000.00
Series C, Bonds, issued January 15th, 1918 .....	500,000.00
Series D, Bonds, issued February 15th, 1918 .....	500,000.00
Series E, Bonds, issued March 1st, 1918 .....	500,000.00
Series F, Bonds, issued April 15th, 1918 .....	675,000.00
Series G, Bonds, issued April 15th, 1918 .....	1,750,000.00
Series H, Bonds, issued May 15th, 1918 .....	1,500,000.00
Series J, Bonds, issued January 1st, 1919 .....	4,000,000.00
Series K, Bonds, issued March 15th, 1919 .....	3,000,000.00
Series L, Bonds, issued June 1st, 1919 .....	4,000,000.00
Series M, Bonds, issued October 1st, 1919 .....	3,575,000.00
Series N, Bonds, issued January 15th, 1920 .....	5,000,000.00
Series O, Bonds, issued May 1st, 1920 .....	1,000,000.00
Series R, Bonds, issued July 1st, 1920 .....	2,000,000.00
Series S, Bonds, issued October 1st, 1920 .....	2,500,000.00
Series A-1921 Bonds, issued January 15th, 1921 .....	2,500,000.00
Series B-1921 Bonds, issued January 15th, 1921 .....	2,500,000.00
Series C-1921 Bonds, issued December 1st, 1921 .....	5,000,000.00
Series D-1922 Bonds, issued November 15th, 1922 .....	3,000,000.00
	<hr/>
	\$44,500,000.00

The following is a detailed statement of Rural Credit Bonds issued and out-standing on June 30th, 1923, giving in detail, The Series, Date Issued, Amount of Issue, Rate of Interest, Sale Price, Amount of Discount, Amount of Premium and Annual Interest Charge on each issue.

SERIES	ISSUED	AMOUNT	RATE INTEREST	SALE PRICE	DISCOUNT	PREMIUMS	ANNUAL INTEREST
A	Sept. 1st, 1917	500,000.00	4 3/4 %	100			23,750.00
B	Dec. 1st, 1917	500,000.00	4 3/4 %	100			23,750.00
C	Jan. 15th, 1918	500,000.00	4 3/4 %	100			23,750.00
D	Feb. 15th, 1918	500,000.00	4 3/4 %	100			23,750.00
E	March 1st, 1918	500,000.00	4 3/4 %	100			23,750.00
F	Apr. 15th, 1918	675,000.00	4 3/4 %	93.85	41,478.75		32,062.50
G	Apr. 15th, 1918	( 725,000.00 )	5 %	( 96.93 )	22,257.50		(36,250.00)
		( 1,025,000.00 )		(100. )			(51,250.00)
H	May 15th, 1918	1,500,000.00	5 %	97.12	43,155.00		75,000.00
J	Jan. 1st, 1919	( 3,000,000.00 )	4 3/4 %	( 98.41 )	78,923.50		(142,500.00)
		( 1,000,000.00 )		( 97.64 )			( 47,500.00 )
K	Mch. 15th, 1919	3,000,000.00	5 %	100.			150,000.00
L	June 1st, 1919	4,000,000.00	5 %	100.75		30,000.00	200,000.00
M	Oct. 1st, 1919	3,575,000.00	5 %	100.60		21,450.00	178,750.00
N	Jan. 15th, 1920	5,000,000.00	5 %	97.21	139,500.00		250,000.00
O	May 1st, 1920	1,000,000.00	6 %	98.96	10,400.00		60,000.00
R	July 1st, 1920	2,000,000.00	5 1/2 %	93.50	130,000.00		110,000.00
S	Oct. 1st, 1920	2,500,000.00	6 %	100.14		3,600.00	150,000.00
A-1921	Jan. 15th, 1921	2,500,000.00	6 %	101.		25,000.00	150,000.00
B-1921	Jan. 15th, 1921	2,500,000.00	5 1/2 %	97.40	65,000.00		137,500.00
C-1921	Dec. 1st, 1921	5,000,000.00	5 1/2 %	101.27		63,720.00	275,000.00
D-1922	Nov. 1st, 1922	3,000,000.00	4 3/4 %	100.91		27,300.00	142,500.00
							\$530,714.75
							\$171,070.00
							\$2,307,062.50
		\$44,500,000.00					

**CONDENSED STATEMENT**

**Of the Condition of the Rural Credit Board at the Close of Business,  
June 30th, 1923**

**RESOURCES**

Net Mortgage Loans in Force .....	\$40,431,385.45
Accrued Interest on Mortgage Loans .....	2,908,901.79
Cash in Banks .....	1,884,675.71
Due from State Treasurer, Balance Appropriation .....	240,000.00
*Discount on Bonds Sold .....	530,714.75
Furniture and Fixtures .....	19,032.74
	<hr/>
	\$46,014,710.44

**LIABILITIES**

Bonds Outstanding .....	\$44,500,000.00
Accrued Interest on Bonds not due .....	642,841.16
General Appropriation .....	300,000.00
Partial Payments on Installments .....	171,414.98
Net Credit Balance .....	400,454.30
	<hr/>
	\$46,014,710.44

\*To be amortized in ten years out of correspondingly increased interest rates accruing on mortgage loans.

**INTEREST STATEMENT**

July 1st, 1917, to June 30th, 1923.

**Interest Received:**

Interest Received on Farm Loans .....	\$4,699,331.59
Interest earned on current loans not yet due and past due ..	2,908,901.79
Interest Received on Average Daily Balance .....	502,500.63
Interest Received on Delinquent Installments .....	66,762.85
Interest Received as Accrued Interest on Bonds .....	157,583.75
	<hr/>
	\$8,335,080.61

**Interest Paid:**

Interest Paid on Bonds .....	\$7,164,687.50
Interest Accrued on Bonds, but not due .....	642,841.16
	<hr/>
	\$7,807,528.66
Excess of Interest Received and Accrued over paid out and accrued .....	\$ 527,551.95



## STATEMENT OF EARNING ABILITY

Based On the Business of Rural Credit Board As It Appears on  
June 30th, 1923.

## INCOME

Mortgage Loans—		Annual Earnings
\$18,102,698.58	drawing interest at $5\frac{1}{2}\%$ ..\$	995,648.42
10,927,949.69	drawing interest at $6\%$ ....	655,676.98
11,400,737.18	drawing interest at $7\%$ ....	798,051.60
Cash in Banks, Earning from $3\frac{1}{2}\%$ to $5\%$ as Follows:		
\$ 737,472.59	Certificates of Deposit at $5\%$	36,873.62
266,878.00	Active Account at $5\%$ .....	13,343.90
990,260.94	Open Account at $3\frac{1}{2}\%$ .....	34,659.33
171,414.98	Partial Payment Acct. at $3\frac{1}{2}\%$	5,999.52
Gross Annual Earning Ability.		\$2,540,253.37    \$2,540,253.37

## OUT-GO

Bonds Outstanding and Annual Interest Charge:

Series	Date Issued	Amount	Rate	Annual Interest
A	Sept. 1, 1917	\$ 500,000.00	$4\frac{3}{4}\%$	\$ 23,750.00
B	Sept.15, 1917	500,000.00	$4\frac{3}{4}\%$	23,750.00
C	Jan. 15, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
D	Feb. 15, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
E	Mch. 1, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
F	Apr. 15, 1918	675,000.00	$4\frac{3}{4}\%$	32,062.00
G	Apr. 15, 1918	1,750,000.00	$5\%$	87,500.00
H	May 15, 1918	1,500,000.00	$5\%$	75,000.00
J	Jan. 1, 1919	4,000,000.00	$4\frac{3}{4}\%$	190,000.00
K	Mch.15, 1919	3,000,000.00	$5\%$	150,000.00
L	June 1, 1919	4,000,000.00	$5\%$	200,000.00
M	Oct. 1, 1919	3,575,000.00	$5\%$	178,750.00
N	Jan. 15, 1920	5,000,000.00	$5\%$	250,000.00
O	May 1, 1920	1,000,000.00	$6\%$	60,000.00
R	July 1, 1920	2,000,000.00	$5\frac{1}{2}\%$	110,000.00
S	Oct. 1, 1920	2,500,000.00	$6\%$	150,000.00
A-1921	Jan. 15, 1921	2,500,000.00	$6\%$	150,000.00
B-1921	Jan. 15, 1921	2,500,000.00	$5\frac{1}{2}\%$	137,500.00
C-1921	Dec. 1, 1921	5,000,000.00	$5\frac{1}{2}\%$	275,000 00
D-1922	Nov.15, 1922	3,000,000.00	$4\frac{3}{4}\%$	142,500.00

Total Amount of Bonds

Issued .....\$44,500,000.00

Total Annual Interest Charge .....\$2,307,062.50

Actual Expense of Conducting Business of  
Board for Fiscal Year Ending June 30th, 1923    74,913.39

Total Annual Out-Go ..... \$2,381,975.89

Net Annual Gain ..... \$ 158,277.48

## RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Conditions at the Close of Business on June 30th, 1922.

## RESOURCES

Farm Loans, Net Amount .....	\$35,942,183.02
Interest Paid on Bonds .....	4,928,875.00
Officers and Employees Salaries .....	140,616.66
Legal Expenses .....	9,686.90
Postage and Office Expense .....	15,860.61
Expense in Examination of Land .....	30,027.65
Furniture and Fixtures .....	16,208.88
Miscellaneous Expense .....	36,162.70
Cash on Hand .....	3,792,181.91
State Treasurer's Balance Appropriation .....	240,000.00
Discount on Bonds .....	530,714.75
Total .....	\$45,682,518.08

## LIABILITIES

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, outstanding .....	41,500,000.00
Accrued Interest on Bonds at date of delivery .....	143,729.58
Interest Received on Average Daily Balance .....	380,872.07
Interest Received from Farm Loans .....	3,062,648.59
Interest Received on Delinquent Installments .....	19,313.20
Premium Received on Bonds .....	143,770.00
Interest Received on State Warrants .....	6,850.00
Partial Payments on Installments .....	125,334.64
Total .....	\$45,682,518.08

**RURAL CREDIT BOARD****Pierre, South Dakota****Statement of Conditions at the Close of Business on June 30th, 1923.****RESOURCES**

Farm Loans, Net Amount .....	\$40,431,385.45
Interest Paid on Bonds .....	7,164,687.50
Officers and Employees Salaries .....	186,488.66
Legal Expenses .....	11,921.40
Postage and Office Expense .....	19,588.50
Expense in Examination of Land .....	43,931.57
Furniture and Fixtures .....	19,032.74
Miscellaneous Expense .....	45,337.78
Cash on Hand .....	1,884,675.71
State Treasurer's Balance Appropriation .....	240,000.00
Discount on Bonds .....	530,714.75
<b>Total .....</b>	<b>\$50,577,764.06</b>

**LIABILITIES**

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, Outstanding .....	44,500,000.00
Accrued Interest Received on Bonds at Date of Delivery ...	157,583.75
Interest Received on Average Daily Balance .....	502,500.63
Interest Received on Farm Loans .....	4,699,331.59
Interest Received on Delinquent Installments .....	66,762.85
Premium Received on Bonds .....	171,070.00
Interest Received on State Warrants .....	6,850.00
Partial Payments on Installments .....	171,414.98
Miscellaneous Fees Received .....	2,250.26
<b>Total .....</b>	<b>\$50,577,764.06</b>

The following is a brief summary of the business transacted by the Board during the twelve months ending June 30th, 1923, showing the amounts received and expended under each heading according to our records.

**RECEIPTS**

Cash Balance on Hand June 30th, 1922 (includes unexpended balance of appropriation in hands of State Treasurer of \$240,000.00) .....	\$4,032,181.91
*Amount received from sale of Bonds .....	\$3,000,000.00
Amount received from Accrued Interest on Bonds .....	13,854.17
Amount received as Interest on Average Daily Balance .....	121,628.56
Amount received as Interest on Farm Loans ..	1,636,683.00
Amount received as Principal on Farm Loans ..	992,297.57
Amount received as Premium on Bonds .....	27,300.00
Amount received as Interest on Delinquent Installments .....	47,449.65
Amount received as partial payments .....	46,080.34
Amount received as Miscellaneous Fees .....	2,250.26
	<b>\$5,887,543.55</b>
	<b>\$9,919,725.46</b>



## DISBURSEMENTS

Amount of Farm Loans Closed .....	\$5,481,500.00
Amount of Interest Paid on Bonds .....	2,235,812.50
Amount of Salaries .....	45,872.00
Amount of Legal Expenses .....	2,234.50
Amount of Postage and Supplies .....	3,727.89
Amount of Expense in Examination of Land..	13,903.92
Amount of Expense for Furniture and Fixtures	2,823.86
Amount of Miscellaneous Expense .....	9,175.08

\$7,795,049.75

Cash Balance on Hand June 30th 1923 (includes unexpended balance of appropriation in hands of State Treasurer of \$240,000.00) ..... \$2,124,675.71

\$9,919,725.46

\*Face amount of Bonds, actual cash received was plus premium.

**DISTRIBUTION BY COUNTIES OF LOANS MADE BY THE  
SOUTH DAKOTA RURAL CREDIT BOARD  
From July 1, 1917 to July 1, 1923**

COUNTY	No. of loans in each county	Am't of money loaned in each county	No. of acres in each county held as security for loans	Average am't loaned per acre in each county	Average assessed value for 1923
Armstrong .....	2	\$ 6,600.00	1,368	4.82	9.70
Aurora .....	89	566,200.00	18,752	30.19	61.47
Beadle .....	300	1,863,100.00	59,705	31.20	56.20
Bennett .....	47	117,800.00	17,083	6.90	10.18
BonHomme .....	50	376,900.00	7,101	53.08	92.56
Brookings .....	236	1,769,100.00	37,786	46.82	76.22
Brown .....	178	966,200.00	37,296	25.90	51.95
Brule .....	210	1,297,600.00	53,644	24.19	40.94
Buffalo .....	82	404,000.00	26,346	15.33	24.12
Butte .....	101	304,400.00	25,466	11.95	9.03
Campbell .....	97	405,700.00	30,905	13.13	22.71
Charles Mix .....	130	802,600.00	24,192	33.17	54.02
Clark .....	117	727,400.00	23,516	30.93	54.23
Clay .....	39	304,200.00	4,693	64.82	111.04
Codington .....	39	245,400.00	7,275	33.73	57.04
Corson .....	240	419,700.00	65,980	6.36	9.71
Custer .....	53	114,600.00	22,863	5.01	7.73
Davison .....	44	318,900.00	6,497	49.08	81.09
Day .....	189	970,300.00	36,208	26.79	48.08
Deuel .....	45	262,700.00	7,228	36.34	58.81
Dewey .....	200	375,700.00	48,799	7.69	9.50
Douglas .....	6	46,000.00	1,318	34.90	62.92
Edmunds .....	162	672,000.00	43,885	15.31	27.26
Fall River .....	85	179,800.00	32,466	5.53	9.12
Faulk .....	168	716,100.00	39,296	18.22	31.78
Grant .....	60	379,000.00	12,018	31.54	62.25
Gregory .....	316	1,641,500.00	69,126	23.75	39.56
Haakon .....	495	978,300.00	178,934	5.47	13.06
Hamlin .....	23	138,600.00	4,161	33.31	60.10
Hand .....	462	2,339,400.00	116,184	20.13	36.54
Hanson .....	49	389,100.00	8,280	46.99	82.46
Harding .....	372	580,400.00	138,899	4.18	6.72
Hughes .....	181	674,100.00	53,541	12.59	20.59
Hutchinson .....	27	214,000.00	4,570	46.82	88.75

**DISTRIBUTION BY COUNTIES OF LOANS MADE BY THE  
SOUTH DAKOTA RURAL CREDIT BOARD  
From July 1, 1917 to July 1, 1923  
(Concluded)**

COUNTY	No. of loans in each county	Am't of money loaned in each county	No. of acres in each county held as security for loans	Average am't loaned per acre in each county	Average assessed value for 1923
Hyde .....	150	645,000.00	45,486	14.18	24.38
Jackson .....	250	494,250.00	69,897	7.07	11.10
Jones .....	352	972,200.00	125,942	7.71	12.99
Jerauld .....	226	1,421,300.00	54,341	26.15	51.57
Kingsbury .....	167	1,143,600.00	28,876	39.60	71.35
Lake .....	67	530,900.00	10,794	49.18	85.99
Lawrence .....	44	188,700.00	14,197	13.29	17.59
Lincoln .....	54	459,100.00	7,276	63.09	111.12
Lyman .....	278	868,800.00	87,689	9.91	15.31
McCook .....	49	348,500.00	8,131	42.86	88.69
McPherson .....	109	379,900.00	24,364	15.59	22.76
Marshall .....	125	607,200.00	24,535	24.74	45.33
Meade .....	470	691,800.00	146,020	4.73	7.97
Mellette .....	276	489,200.00	76,020	6.43	12.52
Miner .....	144	1,004,600.00	23,148	43.39	73.15
Minnehaha .....	87	628,400.00	11,897	52.82	102.29
Moody .....	34	257,600.00	5,124	50.27	93.43
Pennington .....	209	435,600.00	74,685	5.83	10.07
Perkins .....	836	1,287,900.00	259,122	4.97	8.19
Potter .....	73	295,500.00	20,253	14.59	25.31
Roberts .....	156	682,000.00	25,783	26.45	51.89
Sanborn .....	130	831,300.00	23,007	36.13	64.02
Shannon .....	2	2,400.00	320	7.50	8.26
Spink .....	281	1,810,300.00	59,921	30.21	55.02
Stanley .....	286	485,600.00	85,387	5.68	11.40
Sully .....	188	773,400.00	57,920	13.35	23.79
Todd .....	42	107,500.00	10,462	10.27	14.06
Tripp .....	609	1,970,900.00	123,295	15.98	25.81
Turner .....	39	252,400.00	4,304	58.64	106.33
Union .....	44	321,300.00	4,942	65.01	108.57
Walworth .....	57	278,300.00	17,502	15.90	24.38
Washington .....	5	13,300.00	2,137	6.22	7.47
Washabaugh .....	46	126,500.00	19,555	6.46	10.66
Yankton .....	56	435,400.00	8,296	52.48	103.41
Ziebach .....	387	574,600.00	104,299	5.51	8.59
<b>TOTAL .....</b>	<b>11,222</b>	<b>\$43,382,650.00</b>	<b>2,930,308</b>	<b>\$14.80</b>	<b>\$ 37.74</b>
Loans west of Missouri River .....		6,003	amounting to	\$13,428,050.00	
Loans east of Missouri River .....		5,219	amounting to	\$29,954,600.00	
<b>TOTAL .....</b>		<b>11,222</b>		<b>\$43,382,650.00</b>	







332.71  
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1923/24

**ANNUAL REPORT**

of the

**RURAL CREDIT  
BOARD**

for the

State of  
South Dakota

for the

*Fiscal Year Ending*  
**June 30<sup>th</sup>, 1924**

**W. H. McMASTER, Governor**

**C. M. HENRY**

*President*

*Commissioner*

**A. W. EWERT**

*Treasurer*

**ALFRED ZOSKE**

**J. E. ZIEBACH**





*ANNUAL REPORT*

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**RURAL CREDIT  
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ALFRED ZOSKE

J. E. ZIEBACH

**STATE OF SOUTH DAKOTA RURAL CREDIT BOARD**

---

Honorable Wm. H. McMaster, Governor,

Executive Chambers, Pierre, South Dakota.

Sir: In compliance with Sections 6922, 7067, and 10153, Revised Code of 1919, the Rural Credit Board herewith submits its report covering the period beginning June 30, 1923 and ending June 30, 1924.

South Dakota Rural Credit Board,

C. M. HENRY,  
A. W. EWERT,  
J. E. ZIEBACH,  
ALFRED ZOSKE.

## REPORT OF RURAL CREDIT BOARD

In accordance with the provisions of the Rural Credit Act it would seem appropriate at this time that a review of the business of the Rural Credit Board be given covering the period from its organization in 1917 up to this time and more particularly setting forth many obstacles which it has encountered during its existence, and the means and manner in which we have tried to meet the conditions. With this in view, we will try and give a complete history of the department from its conception to the date on which this report is to close.

The development of the Rural Credit Department during the seven years it has been in operation is a source of the utmost gratification to the founders of the System in this State and to the officers of the Department, who have co-operated with them in the enactment of the legislation and the placing of it in practical operation and the adaptation of the System to the needs of the worthy farmers engaging in safe enterprises. The System is designed especially to promote home-building and home-owning, by giving aid in the purchase of land, live stock and farm machinery, and in the payment of existing mortgages on the land and other legitimate debts. By doing this, we know that the wealth of the State as a whole will be increased.

It appeared that the State ought to use its credit to help the people of the State; that the function of the government is not only to protect the lives and property of the citizens and to protect them in the pursuit of happiness, but it ought to serve the people in that pursuit and help them in their attempts toward greater comfort and prosperity.

If it is true, as we believe it is, that the stability of a country depends on the percentage of property owners, or, rather home owners, and that the man with a comfortable home and in easy circumstances is usually a good citizen, then, how can the state be better served than for its government to decrease the number of farm tenants and increase the number of farmers who own the land they till? It seemed unfair, when the State was borrowing money at four and five per cent and less than the farmers had to pay twice as much and often as high as twelve per cent.

In a state so exclusively agricultural as this, whatever will foster, encourage, develop and improve farm property, will tend, also, toward the general good and general welfare of the entire people of this State whether city or otherwise.

Agriculture is the main industry of South Dakota, and like every other new state, it has been hindered greatly in its development by lack of sufficient capital.

Before there was any serious thought of the Federal Loan System being established, South Dakota decided to take a step forward by going into the Farm Loan business.

Back in 1910, agitation of the subject in this country became quite general. The American and United States Commissions were sent to study the credit system in European countries in 1913.

The possibilities of the Rural Credit System of the State of South Dakota are so great that if taken up by other states of the union, it would soon be a System which would exceed in its usefulness any of the much lauded co-operative system of Europe and even our Federal Farm Loan System.

Russia has The Peasant Land Mortgage Bank, which was established by the Government in 1882. Hungary has The Hungarian Land Mortgage Institute, which was established in 1863. Austria has the Galacian Realty Credit Society, which was founded in 1889. The Prussians had the Lands-



chaft Bank, which was in operation in 1767, and was probably the earliest institution of its kind.

France has its Rural Credit System, and through the Bank of France, assists the Agricultural Rural Credit Banks by rediscounting. While England has a few rural credit and agricultural systems in operation, two of her colonies, Australia and Canada have very successful systems in operation. In 1846 Frederick William Raiffeisen established at Flammersfeld, Germany, the first Raiffeisen Rural Bank, which was organized with a capital of \$1500 and with this small beginning, the Raiffeisen System of Rural Credits spread over Europe and at one time had 17,000 societies in Germany alone, with 8,000 in Austria, 2,000 in Italy and 2,000 in Belgium.

The Rural Credit Law of South Dakota is a model of simplicity. It includes the important features of the cumbersome European systems, and those of our Federal System as well, but these have been sifted out, simplified and completely Americanized.

No local farm associations are required as in the Federal Farm Loan plan, and no guarantee of payment is demanded except first mortgage on the land. By eliminating this feature and loaning to the individual farmer direct, the South Dakota System is a long step in advance of all others based on the Farm Association plan.

The State borrows the money which it lends to farmers, borrows it outside of the State, from men who will lend their money to a State cheaper than they will to an individual. The State issues its bonds for the money, takes the mortgage from the farmers and collects from the farmers, as interest and principal become due, and pays the bondholders, as the obligations mature.

There are four safeguards in the law against excessive or improper loans. First: No loan can exceed \$10,000; Second: Loans are made only to men engaged in agricultural or stock-raising pursuits, or the development of same; Third: No loan can be made for more than seventy percent of the appraised value of the land; Fourth: No loan can be made for a larger amount than the average assessed valuation of the property for the three previous years. The wisdom of the above safeguards has been manifested to the Board on hundreds of occasions since the System has been in operation and they should not be altered or broadened in any way during the present conditions.

This System was organized for the purpose of giving to the farmers cheap money on long time and to aid in the settling up of the State by inducing immigration; also, to help improve conditions of the present residents.

The method of repaying a loan is known as the amortization plan. The word "amortization" comes to us from the European system. The first letter "A" apparently means "to" and the remaining part of the word comes from "mort," meaning death. Then applied literally, it means killing the debt, and this is accomplished at the end of thirty years, a small payment being made annually, in addition to the interest, which is exactly enough to pay up the loan in that length of time.

The business of the State Farm Loan plan is managed by a Rural Credit Board, which is given authority, as to the method of handling the business. The Board consists of five members, of which the Governor is Chairman. The other four members are appointed by the Governor for terms of six years each. Of great importance is the fact that all members of the Board are in hearty accord with the plan and purpose of the law and have tried in every way and have succeeded in getting the results hoped for.

The first step necessary was an amendment to the State Constitution. Under the Constitution the State could never incur an indebtedness of

more than \$100,000 and must never lend its credit to any individual, firm or corporation. By an Act of the Legislature of 1915, a joint resolution was submitted to the voters of the State, proposing to amend Section 1 of Article 13 of our State Constitution to read as follows:

Neither the state nor any county, township or municipality shall loan or give its credit or make any donation to, or in aid of any individual, association or corporation, except for the necessary support of the poor, nor subscribe to or become the owner of the capital stock of any association or corporation, nor pay or become responsible for the debt or liability of any individual, association or corporation, provided, that the state may assume or pay such debt or liability when incurred in time of war for the defense of the state; provided, further that the state or any county or two or more counties jointly may establish and maintain a system of rural credits and thereby loan money and extend credit to the people of this state upon real estate security in such manner and upon such terms and conditions as may be prescribed by general law. Nor shall the state engage in any work of internal improvement.

The above amendment was submitted to a vote of the people at the general election in November, 1916, and was adopted by a substantial majority, there being 57,569 votes for the amendment and 41,957 against it.

When the amendment to the State Constitution was obtained it enabled the Rural Credit plan to be enacted into a law and put in operation, but before this could be done, the necessary enactment by the Legislature, carrying the plan into effect, had to be carried out. This was done by the Legislature of 1917 by the adoption of the House Bill 414 (Chapter 333 of Session Laws) which provided for the establishment and maintenance by the State of South Dakota of a System of Rural Credits and provided for the loaning of money by the State upon real estate within the State; authorized the State to borrow money on its warrants and bonds secured by the good faith and credit of the State for the purpose of maintaining this System of Rural Credits; created the South Dakota Rural Credit Board for the management thereof; defined the powers of such Board and its officers; and provided for an appropriation of Two Hundred Thousand Dollars payable on the order of said Board, to be used in establishing and maintaining the System.

The Governor of South Dakota asked for and obtained from the Judges of the Supreme Court an opinion as to the constitutionality of the Rural Credit Law, and the legality of bonds issued under its provisions. Later, an action was brought to restrain the Board from issuing its bonds. In both instances the Court gave its opinion that the Act was valid and that bonds issued and sold under the provisions of the Law would be valid and binding obligations of the State.

In conformity with the Law, the Governor appointed the members of the Board, which met and organized on June 28, 1917. The first loan was not made until October 20, 1917, the delay having been caused by the legal proceedings necessary to establish the constitutionality of the Act.

The Supreme Court said, in declaring the Farm Loan Plan constitutional: "It develops the Agriculture of the State. When you do that, you help every one, because all prosperity rests on agriculture."

Since the Board started loaning operations in 1917, the average loan per acre in the various counties has varied but little in the seven years that the Act has been in force. In other words, the loan value of lands established by the Board in 1917 and 1918 has been adhered to throughout the period of high values and up to the present time. It cannot be em-

phasized too strongly that if loans are not considered and made on a reasonable conservative basis, disastrous results will follow.

The following table shows the average per acre loaned during the ten different periods and speaks for itself:

3831 loans to September 15, 1919, average per acre . . . .	\$16.08
4826 loans to January 16, 1920, average per acre . . . . .	16.28
6161 loans to June 30, 1920, average per acre . . . . .	16.21
7168 loans to December 31, 1920, average per acre . . . . .	15.60
8427 loans to July 1, 1921, average per acre . . . . .	15.55
8582 loans to January 1, 1922, average per acre . . . . .	15.48
9575 loans to July 1, 1922, average per acre . . . . .	15.35
10322 loans to January 1, 1923, average per acre . . . . .	15.11
11222 loans to July 1, 1923, average per acre . . . . .	14.80
11693 loans to July 1, 1924, average per acre . . . . .	14.71

In another table will be found a complete list of the number of loans made in the various counties, the amount loaned, the average loan per acre and the 1924 assessed value of lands. From this table, one, who is at all familiar with the land and values in his county, can judge if the Rural Credit loans have been placed on a conservative basis.

The following paragraph is taken from the last annual report of the Board:

"For the consideration of the Legislature, the Board would recommend that all future loans made by the Board should be restricted to actual residents of the land offered for security; or, in an integral part of their farm, or ranch holdings. In the past, the Board has approved loans in some instances on lands that were occupied, improved and producing, but when title owner was not actually residing on the land. In view of the great number of applications that are submitted to the Board, and the knowledge that it is impossible to handle all the mortgage indebtedness of the State, prompts the Board to make this recommendation. In confining loans to actual resident farm owners, still leaves a wide field for operation, and the great benefits that farmers derive from the state loan system, can be continued over a long period of years."

A bill covering this recommendation was introduced in the 1923 Session of the Legislature, and passed the Senate, but failed of passage in the House of Representatives during the confusion of measures in the final days of the session. Since then, the Board has adopted, by resolution, the purpose of this recommendation, and loans are not considered now that come under these restrictions.

Section No. 10164 of the Rural Credit Law does not permit the Board to establish and collect any filing, or examination fee in connection with the Rural Credit applications. It is the opinion of the Board that a reasonable fee should be permitted to overcome, in part, at least, the expense incurred in handling applications, papers and expense of examination of lands. Of the number of applications received, about forty per cent are never closed as loans, and there has been an average expense of, at least, fifteen dollars for each application filed and inspected, and it would be no more than just that this expense be distributed to cover all loan applications submitted rather than to be a general expense charge, which must be met by applicants, who complete their loans.

At the close of the fiscal year, the Board had funds deposited in 169 different banks in the state. The rate of interest paid on active checking accounts has been  $3\frac{1}{2}\%$ , on inactive checking accounts  $5\%$  and on Certificates of deposits  $5\%$ . The Law requires a surety bond on all deposits placed in National Banks. In State Banks, the Law does not require bonds, as the deposits are protected by the State Guarantee Fund.



The question has been asked if the Board considered it advisable to increase the ten thousand dollar limit on loans, as now restricted by law. The Board is united in the opinion that the limit should not be increased.

There was some discussion during the last session of the Legislature and in the press relative to a limit being fixed by the Legislature on the amount of Rural Credit Bonds that should be issued. The several issues made in the past seven years now amount \$47,500,000.00. It has always been the opinion of the Board that bond issues should never exceed \$60,000,000.00, but has not deemed it advisable to arbitrarily fix the limit until the agricultural condition of the country has shown further improvement.

The problem that confronts the Rural Credit Board is the same that confronts all agencies that loan money on farm securities. The adverse conditions that have prevailed in all agricultural and stock raising sections of the country are so well known that discussion does not seem necessary. The problem of prompt interest payments is the only one that has caused the Rural Credit Board any anxiety, but the marked improvement in interest payments in 1923 over 1921 and 1922 has been encouraging and the Board feels that with one or two good crops and reasonable returns, this problem will be fully overcome. The net earnings of the Board will average \$100,000.00, annually, and this surplus will create a fund far beyond any loss that will be sustained in lands taken over by foreclosure.

In the matter of collections of interest, the Board has pursued a policy that took into consideration the agricultural interests of the state as a whole and that of each delinquent borrower. Realizing that there would be practically no delinquencies if agricultural and banking interests were on a normal basis, the Board has not considered that a ruthless policy of foreclosure was justified. On the other hand, personal examination of the affairs of each delinquent borrower is made and reports filed by Members of the Board and Field Men, and only in cases where the outcome was considered hopeless, or doubtful, have foreclosure proceedings been instituted.

Up to the present time, three hundred forty seven loans have been foreclosed, but of these, thirty one have either been redeemed or reinstated, and indications are that in most cases some settlement will be made by subsequent lien holders, before the expiration of the year of redemption. The Board does not anticipate that any permanent loss will result to the State in any of the cases foreclosed. We find, that in most cases, it is not the original mortgage that has caused the loan to become delinquent, but subsequent mortgages have been given to such an extent that the burden of debt has become so large that financial recovery is made impossible.

The annual interest on the bonds issued amounts to \$2,458,062.50 and payments come due in every month of the year. These payments have to be met on the day they are due, or the whole credit of the state would be lost, and no bonds of any character could be sold in the markets of the country. A certain reserve is absolutely necessary to administer the law successfully. This would not be as large as the Board deems advisable at this time, were it not for the fact that conditions in all parts of the state are such that many, who have State Rural Credit loans have not been able to meet their interest payments, when due.

There are some, who are not friendly to the Rural Credit System, and who have criticized the Board for holding any reserve, and make the unwarranted charge that the Board is loaning money to the banks of the state, and that this reserve should be placed in farm loans. It is true that this reserve is deposited in the banks of the state and is all drawing interest, and indirectly is of benefit to the banks and the communities, which they serve, but the real purpose of this reserve and deposits is to

make sure that interest payments on bonds, when due, can be promptly met. Any other course would endanger the credit of the state and make it impossible for the Board to dispose of any future bond issues.

The legislature appropriated \$300,000.00 to enable the act to be put into effect, and of this amount, \$60,000.00 has been drawn by the Board and the balance of \$240,000.00 remains in the state treasury, and the interest of the same goes to the state, and not to the Rural Credit Board. If this \$60,000.00 were returned to the state treasury, which it could be, not one cent of the general tax payer's money would be involved in the operations of the Rural Credit Act.

**RURAL CREDIT LOANS CLOSED BY MONTHS FROM JULY 1st, 1923  
TO JUNE 30th, 1924**

Month	Year	Number	Am't. of Loans Closed
July .....	1923	11	\$ 59,300.00
August .....	1923	10	53,300.00
September .....	1923	16	82,100.00
October .....	1923	22	101,800.00
November .....	1923	23	96,100.00
December .....	1923	4	10,500.00
January .....	1924	3	10,000.00
February .....	1924	31	133,500.00
March .....	1924	77	257,100.00
April .....	1924	115	427,700.00
May .....	1924	88	265,400.00
June .....	1924	71	244,100.00
<b>TOTAL .....</b>		<b>471</b>	<b>\$1,740,900.00</b>

We wish to submit the following statement, showing condition of business of the Board beginning, October 1st, 1917, to the close of business, June 30th, 1924.

We have received since commencing operations on October 1st, 1917, 21,121 applications coming from sixty-six counties and amounting to \$92,604,076.52. Action has been taken upon these applications as follows:

11,693 Applications have been closed as loans amounting to.	\$45,119,550.00
391 Applications have been approved and are waiting abstracts for closing, amounting to .....	1,251,800.00
491 Applications are on hand for investigation of the board amounting to .....	1,963,000.00
8,546 Applications have been cancelled or rejected for various reason and the following amount includes all reductions made on applications.....	44,269,726.52
<b>21,121</b>	<b>\$92,604,076.52</b>

Face of loans at time of closing upon which payments have been made amounting to \$4,240,866.60. Statement in back of report shows the payments deducted.

To meet this demand for loans and to be able to close same, we have issued Rural Credit Bonds amounting to—

Series A Bonds, issued Sept. 1st, 1917 .....	\$ 500,000.00
Series B Bonds, issued Dec. 1st, 1917 .....	500,000.00
Series C Bonds, issued Jan. 15th, 1918 .....	500,000.00
Series D Bonds, issued Feb. 15th, 1918 .....	500,000.00
Series E Bonds, issued March 1st, 1918 .....	500,000.00
Series F Bonds, April 15th, 1918 .....	675,000.00
Series G Bonds, issued April 15th, 1918 .....	1,750,000.00
Series H Bonds, issued May 15th, 1918 .....	1,500,000.00
Series J Bonds, issued Jan. 1st, 1919 .....	4,000,000.00
Series K Bonds, issued March 15th, 1919 .....	3,000,000.00
Series L Bonds, issued June 1st, 1919 .....	4,000,000.00
Series M Bonds, issued Oct. 1st, 1919 .....	3,575,000.00
Series N Bonds, issued Jan. 15th, 1920 .....	5,000,000.00
Series O Bonds, issued May 1st, 1920 .....	1,000,000.00
Series R Bonds, issued July 1st, 1920 .....	2,000,000.00
Series S Bonds, issued Oct. 1st, 1920 .....	2,500,000.00
Series A-1921 Bonds, issued Jan. 15th, 1921 .....	2,500,000.00
Series B-1921 Bonds, issued Jan. 15th, 1921 .....	2,500,000.00
Series C-1921 Bonds, issued Dec. 1st, 1921 .....	5,000,000.00
Series D-1922 Bonds, issued Nov. 15th, 1922 .....	3,000,000.00
Series E-1924 Bonds, issued January 15th, 1924 .....	2,600,000.00
Series F-1924 Bonds, issued January 15th, 1924 .....	400,000.00

\$47,500,000.00





**CONDENSED STATEMENT**

**Of the Condition of the Rural Credit Board at the Close of Business,  
June 30th, 1924**

**RESOURCES**

Net Mortgage Loans in Force .....	\$40,878,683.40
Accrued Interest on Mortgage Loans .....	3,725,209.37
Cash in Banks .....	3,951,035.06
Due from State Treasurer, Balance Appropriation .....	240,000.00
*Discount on Bonds Sold .....	475,714.75
Furniture and Fixtures .....	21,663.16
	<hr/>
	\$49,292,305.74

**LIABILITIES**

Bonds Outstanding .....	\$47,500,000.00
Accrued Interest on Bonds not due .....	745,350.44
General Appropriation .....	300,000.00
Partial Payments on Installments .....	244,052.83
Net Credit Balance .....	502,902.47
	<hr/>
	\$49,292,305.74

\*To be amortized in ten years out of correspondingly increased interest rates accruing on mortgage loans.

**INTEREST STATEMENT**

**July 1st, 1917 to June 30th, 1924**

**Interest Received:**

Interest Received on Farm Loans .....	\$ 6,363,834.37
Interest Earned on Current Loans not yet due and past due .....	3,725,209.37
Interest Received on Average Daily Balance .....	580,920.88
Interest Received on Delinquent Installments .....	124,958.21
Interest Received as Accrued Interest on Bonds .....	172,264.25
	<hr/>
	\$10,967,187.08

**Interest Paid:**

Interest Paid on Bonds .....	\$ 9,471,750.00
Interest Accrued on Bonds, but not due .....	745,350.44
	<hr/>
	\$10,217,100.44
Excess of Interest Received and Accrued over paid out and accrued .....	\$ 750,087.64

## STATEMENT OF EARNING ABILITY

Based on the Business of Rural Credit Board as it Appears on  
June 30th, 1924

## INCOME

Mortgage Loans:		Annual Earnings:
\$17,382,495.52	Drawing interest at $5\frac{1}{2}\%$ .. \$	956,037.25
12,372,542.67	drawing interest at $6\%$ ....	742,352.56
11,123,645.21	drawing interest at $7\%$ .....	778,655.16
Cash in Banks earning from $3\frac{1}{2}\%$ to $5\%$ , as follows:		
\$ 551,333.90	Certificates of Deposit at $5\%$ \$	27,566.76
577,125.61	Guaranty Fund Certificates and	
	Deposits in Closed Banks, at $5\%$	28,856.28
231,166.59	Inactive Accounts, at $5\%$ ....	11,558.33
58,752.83	Partial Payment Account, at	
	$3\frac{1}{2}\%$ .....	2,056.35
2,715,166.08	Open Accounts, at $3\frac{1}{2}\%$ .....	95,030.81

Gross Annual Earning Ability.

\$2,642,113.44

## OUT-GO

Bonds Outstanding and Annual Interest Charge:

Series	Date Issued	Amount	Rate	Annual Interest
A	Sept. 1, 1917	\$ 500,000.00	$4\frac{3}{4}\%$	\$ 23,750.00
B	Sept. 15, 1917	500,000.00	$4\frac{3}{4}\%$	23,750.00
C	Jan. 15, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
D	Feb. 15, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
E	Mar. 1, 1918	500,000.00	$4\frac{3}{4}\%$	23,750.00
F	Apr. 15, 1918	675,000.00	$4\frac{3}{4}\%$	32,062.50
G	Apr. 15, 1918	1,750,000.00	$5\%$	87,500.00
H	May 15, 1918	1,500,000.00	$5\%$	75,000.00
J	Jan. 1, 1919	4,000,000.00	$4\frac{3}{4}\%$	190,000.00
K	Mar. 15, 1919	3,000,000.00	$5\%$	150,000.00
L	June 1, 1919	4,000,000.00	$5\%$	200,000.00
M	Oct. 1, 1919	3,575,000.00	$5\%$	178,750.00
N	Jan. 15, 1920	5,000,000.00	$5\%$	250,000.00
O	May 1, 1920	1,000,000.00	$6\%$	60,000.00
R	July 1, 1920	2,000,000.00	$5\frac{1}{2}\%$	110,000.00
S	Oct. 1, 1920	2,500,000.00	$6\%$	150,000.00
A-1921	Jan. 15, 1921	2,500,000.00	$6\%$	150,000.00
B-1921	Jan. 15, 1921	2,500,000.00	$5\frac{1}{2}\%$	137,500.00
C-1921	Dec. 1, 1921	5,000,000.00	$5\frac{1}{2}\%$	275,000.00
D-1922	Nov. 15, 1922	3,000,000.00	$4\frac{3}{4}\%$	142,500.00
E-1924	Jan. 15, 1924	2,600,000.00	$5\%$	130,000.00
F-1924	Jan. 15, 1924	400,000.00	$5\frac{1}{4}\%$	21,000.00

Total Amount of Bonds

Issued .....\$47,500,000.00

Total Annual Interest Charge .....\$2,458,062.50

Actual Expense of Conducting Business of  
Board for Fiscal Year Ending June 30,

1924 ..... 71,286.86

2,529,349.36

Net Annual Gain .....

\$112,764.08

## ANNUAL REPORT OF THE RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Conditions at the Close of Business on June 30th, 1923.

## RESOURCES

Farm Loans, Net Amount .....	\$40,431,385.45
Interest Paid on Bonds .....	7,164,687.50
Officers and Employees Salaries .....	186,488.66
Legal Expense .....	11,921.40
Postage and Office Expense .....	19,588.50
Expense in Examination of Land .....	43,931.57
Furniture and Fixtures .....	19,032.74
Miscellaneous Expense .....	45,337.78
Cash on Hand .....	1,884,675.71
State Treasurer's Balance Appropriation .....	240,000.00
Discount on Bonds .....	530,714.75
Total .....	\$50,577,764.06

## LIABILITIES

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, Outstanding .....	44,500,000.00
Accrued Interest Received on Bonds at Date of Delivery....	157,583.75
Interest Received on Average Daily Balance .....	502,500.63
Interest Received on Farm Loans .....	4,699,331.59
Interest Received on Delinquent Installments .....	66,762.85
Premium Received on Bonds .....	171,070.00
Interest Received on State Warrants .....	6,850.00
Partial Payments on Installments .....	171,414.98
Miscellaneous Fees Received .....	2,250.26
Total .....	\$50,577,764.06

Above statement covers the financial operations of Board from July 1st, 1917, to June 30th, 1923.

## RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Condition at the Close of Business on June 30, 1924.

## RESOURCES

Farm Loans, Net Amount .....	\$40,878,683.40
Interest Paid on Bonds .....	9,471,750.00
Officers and Employees Salaries .....	228,689.88
Legal Expenses .....	13,081.90
Postage and Office Expenses .....	22,945.72
Expense of Examination of Land .....	53,852.78
Furniture and Fixtures .....	21,663.16
Miscellaneous Expense .....	114,984.49
Cash on Hand .....	3,951,035.06
State Treasurer's Balance Appropriation .....	240,000.00
Discount on Bonds .....	475,714.75
Total .....	\$55,472,401.14

## LIABILITIES

State Appropriation .....	\$ 300,000.00
Rural Credit Bonds, Outstanding .....	47,500,000.00
Accrued Interest received on Bonds at date of delivery....	172,264.25
Interest received on Average Daily Balance .....	580,920.88
Interest Received on Farm Loans .....	6,363,834.37
Interest Received on Delinquent Installments .....	124,958.21
Premium Received on Bonds .....	171,370.00
Interest Received on State Warrants .....	6,850.00
Partial Payments on Installments .....	244,052.83
Miscellaneous Fees Received .....	8,150.60

Total .....\$55,472,401.14

Above statement covers the financial operations of Board from July 1, 1917, to June 30, 1924.

The following is a brief summary of the business transacted by the board during the months ending June 30th, 1924, showing the amounts received and expended under each heading according to our records.

## RECEIPTS

Cash Balance on Hand June 30th, 1923 (includes unexpended balance of appropriation in hands of State Treasurer of \$240,000.00) .....	\$2,124,675.71
*Amount received from sale of Bonds .....	\$3,000,000.00
Amount received from Accrued Interest on Bonds .....	14,680.50
Amount received as Interest on Average Daily Balance .....	78,420.25
Amount received as Interest on Farm Loans .....	1,664,502.78
Amount received as Principal on Farm Loans .....	1,289,602.05
Amount received as Interest on Delinquent Installments .....	58,195.36
Amount received as Premium on Bonds ....	300.00
Amount received as Partial Payments ....	72,637.85
Amount received as Miscellaneous Fees ....	5,900.34
Amortization of Discount on Bonds .....	55,000.00
	6,239,239.13
	<u>\$8,363,914.84</u>

## DISBURSEMENTS

Amount of Farm Loans Closed .....	\$1,736,900.00
Amount of Interest Paid on Bonds .....	2,307,062.50
Amount of Salaries .....	42,201.22
Amount of Legal Expenses .....	1,160.50
Amount of Postage and Supplies .....	3,357.22
Amount of Expense in Examination of Land .....	9,921.21
Amount of Expense for Furniture and Fixtures .....	2,630.42
Amount of Miscellaneous Expense (Includes Amortization of Discount on Bonds, \$55,000.00) .....	69,646.71

\$4,172,879.78

Cash Balance on Hand June 30, 1924 (includes unexpended Balance of appropriation in hands of State Treasurer of \$240,000.00) .....	4,191,035.06
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\$8,363,914.84

\*Face amount of Bonds, actual cash received was plus premium.



**DISTRIBUTION BY COUNTIES OF LOANS MADE BY THE  
SOUTH DAKOTA RURAL CREDIT BOARD**

**From July 1, 1917 to July 1, 1924**

COUNTY	No. of loans in each county	Amount of money loaned in each county	No. of acres in each county held as security for loans	Average amt loaned per acre in each county	Average assessed value for 1924
Armstrong	2	\$ 6,600.00	1,368	\$ 4.82	\$ 9.18
Aurora	101	629,700.00	20,912	30.11	58.35
Beadle	313	1,966,100.00	62,245	31.58	52.40
Bennett	52	134,100.00	18,664	7.18	9.71
Bon Homme	53	393,400.00	7,455	53.44	36.09
Brookings	238	1,767,600.00	38,026	46.48	71.14
Brown	180	976,700.00	37,938	25.74	47.02
Brule	215	1,320,100.00	54,366	24.28	38.46
Buffalo	89	449,400.00	28,544	15.74	22.92
Butte	101	304,400.00	25,466	11.95	8.26
Campbell	111	453,300.00	35,245	12.86	21.58
Charles Mix	133	818,600.00	25,000	32.74	50.55
Clark	117	727,400.00	23,516	30.93	50.40
Clay	39	304,200.00	4,693	64.81	104.75
Codington	39	245,400.00	7,275	33.73	52.99
Corson	268	478,400.00	73,599	6.50	8.93
Custer	56	125,600.00	24,783	5.06	7.51
Davison	45	319,700.00	6,675	47.89	76.53
Day	189	970,300.00	36,208	26.79	44.28
Deuel	47	272,200.00	7,548	36.06	54.25
Dewey	212	400,500.00	52,054	7.69	8.72
Douglas	6	46,000.00	1,318	34.90	59.36
Edmunds	168	714,500.00	46,022	15.52	25.93
Fall River	91	188,200.00	34,339	5.47	8.68
Faulk	175	749,200.00	41,402	18.09	29.98
Grant	61	387,500.00	12,538	30.90	55.71
Gregory	318	1,656,000.00	70,326	23.54	37.75
Haakon	505	1,003,400.00	183,566	5.46	12.39
Hamlin	23	138,600.00	4,161	33.30	56.80
Hand	483	2,473,500.00	120,768	20.48	34.16
Hanson	49	389,100.00	8,280	46.99	77.68
Harding	383	595,600.00	143,683	4.14	6.26
Hughes	191	723,700.00	57,816	12.51	20.08
Hutchinson	28	218,500.00	4,730	46.19	84.43
Hyde	162	708,800.00	49,640	14.26	23.39
Jackson	264	513,050.00	73,559	6.97	10.37
Jerauld	246	1,450,500.00	55,455	26.15	47.79
Jones	365	1,019,300.00	130,610	7.80	13.06
Kingsbury	170	1,165,600.00	29,818	39.09	67.07
Lake	67	530,900.00	10,794	49.18	80.82
Lawrence	46	195,700.00	14,552	13.44	16.63
Lincoln	54	459,100.00	7,276	63.09	103.07
Lyman	304	966,600.00	96,071	10.06	14.37
McCook	53	376,000.00	8,644	43.49	84.31
McPherson	114	393,100.00	25,324	15.52	21.59
Marshall	129	615,100.00	25,215	24.39	43.29
Meade	494	730,600.00	155,033	4.71	7.29
Mellette	287	539,700.00	83,142	6.49	11.70
Miner	148	1,024,600.00	23,628	43.36	71.23
Minnehaha	88	633,400.00	12,017	52.70	96.76
Moody	33	258,600.00	5,124	50.07	88.61
Pennington	221	469,200.00	80,472	5.83	9.74
Perkins	852	1,319,900.00	263,256	5.01	7.79
Potter	79	313,100.00	21,368	14.46	23.96
Roberts	159	694,500.00	26,216	26.49	47.15
Sanborn	132	840,300.00	23,324	36.02	60.23
Shannon	3	3,400.00	484	7.02	7.63
Spink	291	1,866,800.00	61,819	30.19	52.22
Stanley	295	511,500.00	88,618	5.77	10.78
Sully	201	832,700.00	62,073	13.41	22.42

**DISTRIBUTION BY COUNTIES OF LOANS MADE BY THE  
SOUTH DAKOTA RURAL CREDIT BOARD**

**From July 1, 1917 to July 1, 1924**

(Concluded)

COUNTY	No. of loans in each county	Amount of money loaned in each county	No. of acres in each county held as security for loans	Average am't loaned per acre in each county	Average assessed value for 1924
Todd .....	44	119,500.00	11,223	10.64	12.66
Tripp .....	652	2,166,200.00	133,511	16.22	24.63
Turner .....	39	252,400.00	4,304	58.64	100.30
Union .....	44	321,300.00	4,942	65.01	104.61
Walworth .....	63	301,800.00	19,098	15.80	22.88
Washington .....	5	13,300.00	2,137	6.22	6.99
Washabaugh .....	47	127,500.00	19,710	6.46	10.07
Yankton .....	57	438,400.00	8,376	52.34	101.17
Ziebach .....	404	596,600.00	108,051	5.52	7.81
<b>TOTAL .....</b>	<b>11,693</b>	<b>\$45,119,550.00</b>	<b>3,065,683</b>	<b>\$ 14.71</b>	<b>\$ 35.19</b>
Loans west of Missouri River .....		5,777	amounting to	\$13,454,250.00	
Loans east of Missouri River .....		5,916	amounting to	31,665,300.00	
<b>TOTAL .....</b>		<b>11,693</b>			<b>\$45,119,550.00</b>

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ANNUAL REPORT  
OF THE  
**Rural Credit Board**  
OF THE  
State of South Dakota

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For the Fiscal Year Ending June 30, 1925



ANNUAL REPORT

OF THE

Rural Credit Board

OF THE

State of South Dakota

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For the Fiscal Year Ending June 30, 1925

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Carl Gunderson, Governor .....	President
Anderson Michael .....	Vice-President
A. C. Bernau.....	Treasurer
C. M. Henry .....	Commissioner
Julius H. Johnson.....	Member of Board

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**STATE OF SOUTH DAKOTA RURAL CREDIT BOARD**

Honorable Carl Gunderson, Governor,  
Executive Chambers, Pierre, South Dakota,

Sir:

In compliance with Sections 6922, 7067, and 10153, Revised Code of 1919, the Rural Credit Board herewith submits its report covering the period beginning June 30, 1924, and ending June 30, 1925.

South Dakota Rural Credit Board

By ANDERSON MICHAEL,

Vice-President.



On the date of this report, the Board has foreclosed and taken sheriff's deeds to the land under 98 loans, out of the 12,116 loans which have been made, covering 32,756 acres out of the 4,009,840 acres held as security. The amount of unpaid principal and interest at the time of foreclosure amounted to \$421,789.50, or \$12.88 per acre. The average assessed valuation at the time these loans were made was \$505,267.00, and the appraised valuation was \$1,094,965.50. Additional interest and miscellaneous foreclosure expense brought the amount up \$100,328.01 at the time deeds were taken, or \$15.95 per acre.

The annual interest on the bonds issued amounts to \$2,458,062.50 and payments come due in every month of the year. These payments have to be met on the day when they are due, or the whole credit of the State would be lost, and no bonds of any character could be sold in the market of the country.

A certain reserve is absolutely necessary to administer the law successfully. This would not be as large as the board deems advisable at this time were it not for the fact that conditions in all parts of the state are such that many who have State Rural Credit loans have not been able to meet their interest payments when due.

The real purpose of this reserve is to make sure that interest payments on bonds when due can be promptly met. Any other course would endanger the credit of the state and make it impossible for the board to dispose of any future bond issues.

On February 10, 1925, the Supreme Court of South Dakota rendered its decision on the two consolidated cases in reference to the payment of taxes on lands covered by Rural Credit mortgages, the first one on original proceedings in mandamus and the second one an appeal from the Circuit Court of Hughes county.

The first is known as No. 5828—Hughes County, and Harrold Independent Consolidated School District No. 3, Plaintiffs; vs. C. M. Henry et al, South Dakota Rural Credit Board, Defendants. The second is known as No. 5843—Appeal from the Circuit Court of Hughes County; Hughes County and Harrold Independent Consolidated School District No. 3, Plaintiffs and Appellants; vs. The State of South Dakota et al, Defendants, Respondents.

The decision rendered by the Supreme Court was in favor of the Plaintiffs, stating: "That the conflict is plainly between the state in its general sovereign taxing power and a mortgage made by a minor sub-division of the same state, and it seems clear that the power and lien created by the state must be greater than that created by said sub-division."

We think the duty of the board to pay taxes, permission being given, may safely rest upon the broad ground of the right of self-preservation of the state and of its governmental sub-divisions, the county, township and school districts. Without the collection of revenue, neither the state nor its governmental sub-divisions can function.

It was, therefore, the decision of the Supreme Court that the lien of the tax was superior to the lien of the Rural Credit mortgage; that the writ of mandamus should be granted and that the judgment of the lower court be reversed.

Acting under the above decision of the Supreme Court and an interlocutory order which covered an agreement of the attorneys in the case as the conditions and terms of the payment of the taxes in the various counties, the Rural Credit Board has to date paid taxes in the following counties: Hughes County, Stanley County, Sully County, Corson County, Ziebach County, and Dewey County, amounting to \$137,929.25, and the payment of the taxes in the remaining counties will be taken care of as fast as a settlement with the counties can be made.



**CONDENSED STATEMENT**

Of the Condition of the Rural Credit Board at the Close of Business  
June 30, 1925

**RESOURCES**

Net Mortgage Loans in Force .....	\$ 40,470,828.66
Accrued Interest on Mortgage Loans.....	4,142,286.31
Cash in Banks .....	2,658,169.06
Due from State Treasurer, Balance Appropriation.....	149,126.84
*Discount on Bonds Sold .....	475,714.75
Furniture and Fixtures .....	27,700.22
Real Estate .....	522,117.51
Total .....	\$ 48,445,943.35

**LIABILITIES**

Bonds Outstanding .....	\$ 46,500,000.00
Accrued Interest on Bonds not Due .....	919,324.64
General Appropriation .....	300,000.00
Partial Payments on Installments .....	205,752.27
Net Credit Balance .....	520,866.44
Total .....	\$ 48,445,943.35

\*To be amortized in ten years out of correspondingly increased interest rates accruing on mortgage loans.

The following is a brief summary of the business transacted by the board during the months ending June 30, 1925, showing the amounts received and expended under each heading according to our records.

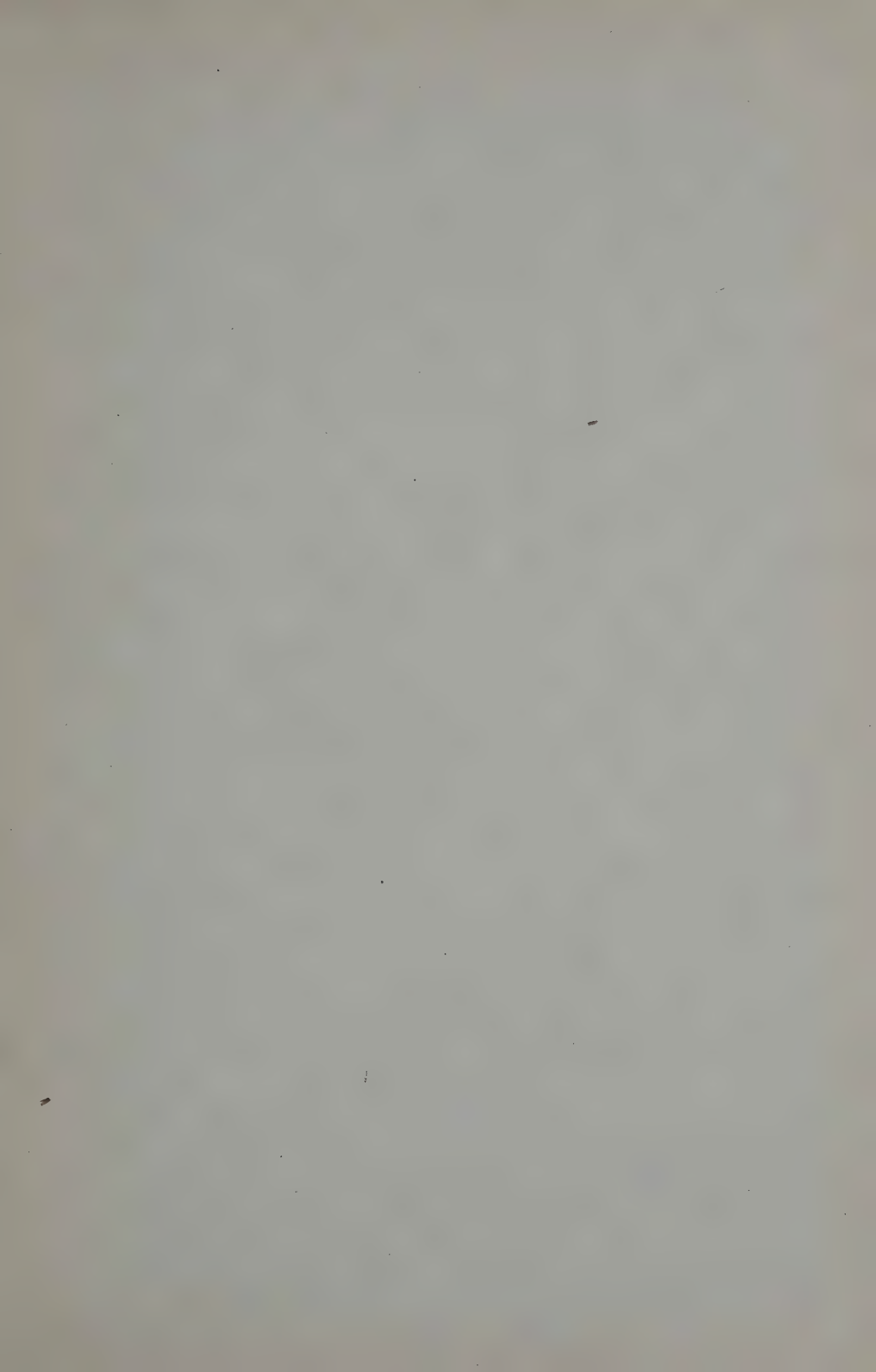
**RECEIPTS**

Cash Balance on Hand June 30, 1924 (includes unexpended Balance of Appropriation in Hands of State Treasurer of \$240,000.00)...	\$ 4,191,035.06
Amount Received as Interest on Average Daily Balance .....	\$ 76,607.26
Amount Received as Interest on Farm Loans.....	2,141,539.30
Amount Received as Principal on Farm Loans.....	1,906,254.74
Amount Received as Interest on Delinquent Installments .....	96,741.00
Amount Received as Miscellaneous Fees.....	10,220.58
Amount Received as Abstract Account.....	1,081.00
Amount Received as Title Account .....	1,625.00
Total .....	\$ 8,425,103.94

**DISBURSEMENTS**

Amount of Farm Loans Closed .....	\$ 1,498,400.00
Amount of Interest Paid on Bonds .....	2,308,062.50
Amount of Salaries .....	50,111.38
Amount of Legal Expenses .....	1,101.99
Amount of Postage and Supplies .....	5,209.68
Amount of Miscellaneous Expense .....	16,295.66
Partial Payments .....	38,300.56
Amount of Real Estate .....	522,117.51
Amount of Claims .....	22,767.42
Amount of Taxes Paid .....	137,929.25
Amount of Expenses in Connection with Interim Commission .....	3,918.57
Amount of Payments on Bonds .....	1,000,000.00
Total .....	\$ 5,617,808.04
Cash Balance on Hand June 30, 1925 (Includes Unexpended Balance of Appropriation in Hands of State Treasurer of \$149,126.84)...	\$ 2,807,295.90
Total .....	\$ 8,425,103.94

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STATE OF SOUTH DAKOTA

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REPORT

of the

# Rural Credits Board

For the Period

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JUNE 30th, 1925 to JUNE 30th, 1926

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to the  
GOVERNOR

---

1926

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C. W. CROES, Commissioner  
ANDERSON MICHAEL, Ass't Commissioner

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MARK D. SCOTT, PRINTER,  
Sioux Falls, S. D.



STATE OF SOUTH DAKOTA

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REPORT

of the

# Rural Credits Board

For the Period

---

JUNE 30th, 1925 to JUNE 30th, 1926

---

to the

GOVERNOR

---

1926

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C. W. CROES, Commissioner

ANDERSON MICHAEL, Ass't Commissioner

---

MARK D. SCOTT, PRINTER,  
Sioux Falls, S. D.

Carl Gunderson, Governor.....	President
C. W. Croes .....	Commissioner
Anderson Michael .....	Ass't Commissioner
A. C. Bernau .....	Comptroller
J. L. Driscoll .....	Treasurer

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To The Honorable Carl Gunderson, Governor,  
Executive Chambers,  
Pierre, South Dakota.

In compliance with Section 18 of Chapter 266 of the Session Laws of 1925, the Rural Credit Board herewith submits its report covering the period beginning June 30, 1925 and ending June 30, 1926.

South Dakota Rural Credit Board,

By C. W. Croes,  
Commissioner.



On October 1, 1925, C. M. Henry, who had held the office as Rural Credit Commissioner until that date, tendered his resignation which was accepted and John B. Hanten was appointed by Governor Carl Gunderson on the same date to fill the vacancy. Mr. Hanten served as Rural Credit Commissioner from that date until May 1, 1926, at which time he tendered his resignation which was accepted by Governor Gunderson. On May 11, 1926 C. W. Croes was appointed by Governor Carl Gunderson to fill the vacancy made by Mr. Hanten's resignation.

Due to the limitations placed upon the Department by the Nineteenth Session of the Legislature with regard to the making of new loans and to the delinquent condition of a large portion of the loans now in force, the activities of the Department during the past year have been directed almost wholly toward a readjustment of policies to meet these changed conditions,—to the closing up of unfinished business pertaining to unfinished loans, to matters in litigation and to the collection of interest and installments of both live and delinquent loans. The condition of the delinquent loans has necessitated the foreclosure of a large number of those whose condition upon investigation has indicated that further forbearance was not warranted.

On June 30, 1926 the Department had foreclosed a total of 1220 loans,—had received title through Sheriff's Deed to 531 farms, combining a total acreage of 167,801.24 acres. These lands have been leased by the department to the best possible advantage and to the best interests of the state so far as the Board has found it possible to do so.

The 1925 Session Laws provided that all lands should be leased for cash. This feature has prevented the leasing of a portion of the lands that could otherwise have been leased, South Dakota tenants, generally, not being accustomed to cash rentals on agricultural lands, have quite generally protested against cash rent basis and occasionally it has been impossible for the Board to obtain tenants. Depleted conditions of improvements and a late date of receiving deeds to lands are other factors that entered into the failure of some lands to be leased; the greater portion, however, of lands to which the state had title were leased for the present crop season.

The statements following on page 5 show the conditions of the department as shown by the records of the department on June 30th, 1925; the statement on page 6 shows the condition of the department as shown by the records of the department on June 30th, 1926. These annual statements are given for the purpose of comparison.

The statement on page 7 is a digest of the statement on page 6 in which we have attempted to set out the assets, liabilities, income and expense of the department in a manner which will give the reader a clearer understanding of the condition of the department than the average reader will be able to gather from the previous statements. In the pages following, we have attempted to analyze briefly the conditions as shown by these statements.

## RURAL CREDIT BOARD

Pierre, South Dakota

Statement of Condition as Shown by the Books of the Department at the close of Business on June 30th, 1925.

### RESOURCES

Farm Loans, Net Amount	\$40,470,828.66
Interest Paid on Bonds	11,779,812.50
Officers and Employees Salaries	278,801.26
Legal Expense	14,183.89
Postage and Office Expense	28,155.40
Expense in Examination of Land	61,409.24
Furniture & Fixtures	27,700.22
Miscellaneous Expense	131,280.15
Cash on Hand	2,658,169.06
State Treasurer's Balance Appropriation	149,126.84
Discount on Bonds	475,714.75
Real Estate	522,117.51
Claims	22,767.42
Taxes	137,929.25
Interim Commission	3,918.57
Total	\$56,761,914.72

### LIABILITIES

State Appropriation	\$ 300,000.00
Rural Credit Bonds, Outstanding	46,500,000.00
Accrued Interest Rec'd on Bonds at Date of Delivery	172,264.25
Interest on Average Daily Balance	657,528.14
Interest Received on Farm Loans	8,505,373.67
Interest Received on Delinquent Installments	221,699.21
Premium Received on Bonds	171,370.00
Interest on State Warrants	6,850.00
Partial Payments	205,752.27
Miscellaneous Fees Received	18,371.18
Abstract Account	1,081.00
Title Account	1,625.00
Total	\$56,761,914.72

The above statement covers the financial operations of Board from July 1st, 1917, to June 30th, 1925.

# ANNUAL REPORT OF THE RURAL CREDIT BOARD

Pierre, South Dakota.

Statement of Condition as Shown by the Books of the Department at the close of Business on June 30th, 1926.

## RESOURCES

Farm Loans Net Amount	\$36,391,536.26
Interest Paid on Bonds	14,166,000.00
Officers and Employees Salaries	342,396.16
Legal Expenses	14,186.39
Postage and Office Expense	33,201.96
Expense in Examination of Land	72,246.77
Furniture and Fixtures	28,439.27
Miscellaneous Expense	164,361.45
Cash on Hand	2,406,729.66
State Treasurer's Balance Appropriation	131,310.85
Discount on Bonds	475,714.75
Real Estate	2,818,866.22
Claims	54,220.22
Taxes	1,466,032.26
Interim Commission	22,009.26
Land Sale Contract	2,560.00
Total	\$58,589,811.48

## LIABILITIES

State Appropriation	\$ 300,000.00
Rural Credits Bonds Issued	\$47,500,000.00
Less Rural Credit Bonds Retired	2,000,000.00
Balance Rural Credit Bonds Outstanding	45,500,000.00
Accrued Interest Received on Bonds at Date of Delivery	172,889.25
Interest Received on Average Daily Balance	689,217.31
Interest Received on Farm Loans	10,905,802.93
Interest Received on Delinquent Installments	322,316.69
Premium Received on Bonds	171,370.00
Interest Received on State Warrants	6,850.00
Partial Payments on Installments	185,350.01
Miscellaneous Fees Received	70,495.84
Abstract Account	1,746.50
Title Account	525.00
Land Settlement Div. of the Rural Credit Board	263,247.95
Total	\$58,589,811.48

The above statement covers the financial operations of Board from July 1st, 1917, to June 30th, 1926.

# DIGEST OF JUNE 30, 1926 STATEMENT SHOWN ON PAGE 6

## A S S E T S

Loans -----	\$36,391,536.26
Furniture & Fixtures -----	28,439.27
Cash -----	2,406,729.66
State Treas. Bal. Appro'tion -----	131,310.85
Real Estate -----	2,818,866.22
Claims -----	54,220.22
Taxes -----	1,466,032.26
Land Sale Contract -----	2,560.00

Total Assets -----	\$43,299,694.74
Assets Less than Liabilities -----	\$2,763,553.21

## E X P E N S E

Salaries -----	\$ 342,396.16
Legal Expenses -----	14,186.39
Postage -----	33,201.96
Expense, Examination of Land -----	72,246.77
Miscellaneous Expense -----	164,361.45
Discount on Bonds -----	475,714.75
Interim Commission -----	22,009.26

Total -----	\$ 1,124,116.74
Interest Paid on Bonds -----	14,166,000.00
Total Expense -----	\$15,290,116.74
	\$58,589,811.48

## L I A B I L I T I E S

Amount of Appropriation --	-\$ 300,000.00
Rural Credit Bonds	
Issued -----	\$47,500,000
Less Rural Credit	
Bonds Retired ---	2,000,000
Balance Rural Credit Bonds Outstanding -----	45,500,000.00
Land Settlement -----	263,247.95

Total Moneys Received from Appropriation, Bonds now outstanding, and Land Settlement -----	\$46,063,247.95
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## I N C O M E

Interest on Bonds -----	\$ 172,889.25
Interest on Daily Balance -----	689,217.31
Interest on Delinquent Installments -----	322,316.69
Premium received on Bonds -----	171,370.00
Interest on State Warrants -----	6,850.00
*Partial Paym'ts on Installm'ts -----	185,350.01
Miscellaneous Fees Received -----	70,495.84
Title Account -----	525.00
**Abstract Account -----	1,746.50

Total -----	\$ 1,620,760.60
Interest Rec'd on Loans -----	10,905,802.93
Total Income -----	12,526,563.53
	\$58,589,811.48

Total Income Less than Total Expense -----	\$2,763,553.21
Net Interest Accrued and Unpaid on Loans, approximately --	\$3,609,871.11
Deficit -----	2,763,553.21
	\$ 846,317.90

\* The total of Partial Payment Account is not properly earned income. A minor percent of it is repayment of principal, it being impossible to segregate the principal from interest until payments develop into full installment payments.

\*\* Abstract Account is not properly, either earned income or original liability, it being refunded as abstracts are returned.



in the statement shown on page 7, the figures represent book values as taken from the records of the department on June 30th, 1926. No attempt has been made to arrive at actual values, and as real estate values and changing conditions have influenced to a greater or lesser degree the items shown as assets, a brief analysis of the statement, we believe, will make it more clear to the average reader.

In the item of "loans", the \$36,391,536.26 represents all of the loans in force on the date above mentioned, including both live and delinquent loans. Of these, approximately \$15,000,000.00 are delinquent. The actual value of these loans depends upon, first, the live loans which are in good standing; second, the ability of the delinquent borrower to pay his delinquency and place his loan in good standing, and, third, the ultimate value of the real estate securing that portion of the delinquent loans on which the state is forced to foreclose and take title to the land.

**Furniture and Fixtures:** \$28,439.27 represents the actual money paid for the furniture and fixtures used by the department. This item does not show depreciation.

**Cash:** In this item is included the \$1,408,986.52 in the account of the former Treasurer. This account consists of Receivers' Certificate of National Banks, Guaranty Fund Certificates of State Banks and claims in litigation. Its value depends upon the amount of money paid out in liquidation of the closed banks issuing such certificates and in the amount that the state is able to realize on the claims in litigation.

**State Treasurer's Balance:** This represents a part of the original appropriation still in the hands of the State Treasurer not used by this department.

**Real Estate:** The \$2,818,866.22 represents the amount of money the state has invested in the lands to which it has taken title through foreclosure, including unpaid balance of loan, delinquent installments, accumulated taxes, insurance and repairs, in some instances and foreclosure costs. The actual value of this item of assets depends upon the actual sale value of the land, and will be determined when such lands are sold by the amounts actually received from such sale plus the accumulated rentals received on such lands, less the cost of carrying the same.

**Claims:** Represents an account opened February 29, 1925, being claims in litigation against the National Bank of Commerce and other banks; funds in connection with the loans in the process of closing, the loan not completed before the closing of said bank; refunds on remittances for installments where cashiers checks and drafts covering remittances failed to clear; certificates of deposit and drafts in the possession of the department when the bank closed.

**Taxes:** The \$1,466,032.26 represents the amount of money that the state has paid in delinquent taxes on the delinquent loans and on the loans foreclosed.

**Land Sale Contract:** Represents contracts for sale of land as provided under Section 9, Chapter 266 of the Session Laws of 1925.

In studying the statement referred to, it will be noted that the department received from the original appropriation from bonds outstanding and from the Land Settlement Department, a total of \$46,063,247.95; that as a result of the investment of these funds it has the assets above referred to totaling \$43,299,694.74, or \$2,763,553.21 less than the amount of moneys received from the sources just referred to. The question, naturally arises as to what has caused this deficit. Under the items of expense, we find the total miscellaneous expense \$1,124,116.74; the total of interest paid on bonds, \$14,166,000.00, mak-



ing the total expense of the department from 1917 until June 30th, 1926 the sum of \$15,290,116.74.

Under the item of "Income" we note that the total miscellaneous income is \$1,620,760.60; that the interest received on loans, totals \$10,905,802.93, leaving the total income during the period of 1917 to June 30th, 1926 only \$12,526,563.53 or \$2,763,553.21 less than the total expense, and making a deficit in the amount of the last figure quoted. To offset this deficit, there is due the department in interest on loans after interest on outstanding bonds has been deducted, approximately \$3,609,871.11; deducting from this figure the \$2,763,553.21 shown as deficit, leaves the figure of \$846,317.90, which would represent a profit if all of the loans together with delinquent interest are paid in full; or if the lands securing these loans unpaid, together with the lands to which the state now has title ultimately sell for a sum sufficient to refund to the state all of the moneys invested in such lands, together with carrying charges on the same, and if claims in banks could be paid in full, and the account of the former Treasurer fully refunded.

It is, of course, out of reason to expect that all of these items will be paid in full. The Board has not attempted to estimate what portion of these items will be paid or to estimate whether or not the ultimate sale of the lands will be sufficient to cover the deficit now shown,—an attempt to make such estimate would only be a guess on the part of the Board,—the records now in the office are not sufficient on which to base even an approximate estimate on the earning power of the assets. When the canvass now being made is completed, the Board will have material on which to base more definite conclusions than can now be made. The major factor, however, entering into the problem is, of course, the return of real estate values, a factor on which the Board is in no better position to form an opinion than is any other individual familiar with agricultural conditions.

The following is a brief summary of the business transacted by the Board during the months ending June 30th, 1926, showing the amounts received and expended under each heading according to our records:

### RECEIPTS

Cash balance on hand June 30th, 1925 (Includes unexpended balance of appropriation in hands of State Treasurer of \$149,126.84) -----		\$2,807,295.90
Amount rec'd from accrued interest on bonds -----	625.00	
Am't rec'd as interest on average daily balance -----	31,689.17	
Interest charged on Real Estate through foreclosure -----	\$ 461,231.13	
Interest received on Loans -----	1,939,198.13	
Total Interest received and charged to Real Estate ---	2,400,429.26	
Am't of principal rec'd in acquiring of loans by foreclosure	1,791,923.77	
Am't of principal rec'd on farm loans -----	2,287,368.63	
Am't rec'd as interest on delinquent installments -----	100,617.48	
Am't rec'd as miscellaneous fees -----	52,124.66	
Am't rec'd on abstract account -----	665.50	
		<hr/>
		\$6,665,443.47
Cash Rec'd from Land Settlement Div. Rural Credit Board		263,247.95
		<hr/>
		\$9,735,987.32

### DISBURSEMENTS

Am't of bonds retired -----	\$2,000,000.00	
Less refunding bonds sold -----	1,000,000.00	
Net bonds retired -----	\$1,000,000.00	
Am't of interest paid on bonds -----	2,386,187.50	
Amount of salaries -----	63,594.90	
Amount of Legal Expense -----	2.50	
Amount of postage -----	5,046.56	
Am't of Expense in examination of land and collections on loans -----	10,837.53	
Am't of expense for furniture & Fixtures -----	739.05	
Am't of miscellaneous and foreclosure expense -----	33,081.30	
Amount invested in real estate -----	2,296,748.71	
Amount of claims -----	31,452.80	
Amount of taxes paid -----	1,328,103.01	
Am't of Interim Commissioner expense -----	18,090.69	
Amount of Land Sale Contract -----	2,560.00	
Am't of debit partial payments -----	20,402.26	
Title Account -----	1,100.00	
		<hr/>
		\$7,197,946.81
Cash balance on hand June 30th, 1926, Including:		
*Am't on account of former Treasurer -----	\$1,408,986.52	
Am't in hands of Comptroller -----	997,743.14	
Unexpended balance of appropriation -----	131,310.85	
		<hr/>
		\$2,538,040.51
		<hr/>
		\$9,735,987.32

\* This account consists of Receivers' Certificates of National Banks, Guaranty Fund Certificates of State Banks, Claims in litigation.

The following is a detailed statement of the Rural Credit Bonds issued and outstanding on June 30th, 1926, giving in detail, the Series, Date Issued, Amount of Issue, Rate of Interest, Sale Price, Amount of Discount, Amount of Premium and Annual Interest Charge on each issue:

Series	Issued	Amount \$	Rate of Interest %	Sale Price	Discount \$	Premium \$	Annual Interest \$
B	Dec. 1st, 1917	500,000.00	4 3/4 %	100			58,750.00
C	Jan. 15th, 1918	500,000.00	4 3/4 %	100			58,750.00
D	Feb. 15th, 1918	500,000.00	4 3/4 %	100			58,750.00
E	March 1st, 1918	500,000.00	4 3/4 %	100			58,750.00
F	April 1st, 1918	675,000.00	4 3/4 %	93.85	41,478.75		32,062.50
G	April 15, 1918	( 725,000.00 )	5 %	( 96.93 )	22,257.50		36,230.00
		( 1,025,000.00 )		( 100 )			( 51,250.00 )
J	Jan. 1st, 1919	( 3,000,000.00 )	4 3/4 %	( 98.41 )	78,923.50		( 142,500.00 )
		( 1,000,000.00 )		( 97.64 )			( 47,500.00 )
K	March 15th, 1919	3,000,000.00	5 %	100			150,000.00
L	June 1, 1919	4,000,000.00	5 %	100.75		30,000.00	200,000.00
M	Oct. 1st, 1919	3,575,000.00	5 %	100.60		21,450.00	178,750.00
N	Jan. 15th, 1920	5,000,000.00	5 %	97.21	139,500.00		250,000.00
R	July 1st, 1920	2,000,000.00	5 1/2 %	93.50	130,000.00		110,000.00
S	Oct. 1st, 1920	2,500,000.00	6 %	100.14			150,000.00
A-1921	Jan. 15th, 1921	2,500,000.00	6 %	101		3,600.00	150,000.00
B-1921	Jan. 15th, 1921	2,500,000.00	5 1/2 %	97.40	65,000.00	25,000.00	137,500.00
C-1921	Dec. 1st, 1921	5,000,000.00	5 1/2 %	101.27		63,720.00	275,000.00
D-1922	Nov. 1st, 1922	3,000,000.00	4 3/4 %	100.91		27,300.00	142,500.00
E-1924	Jan. 15th, 1924	2,600,000.00	5 %	100			130,000.00
F-1924	Jan. 15th, 1924	400,000.00	5 1/4 %	100			21,000.00
Refunding	May 15th, 1926	1,000,000.00	4 1/2 %	100			45,000.00
Series H		\$45,500,000.00			\$477,159.75	\$171,070.00	\$2,344,312.50

Series A, 1917, for \$500,000.00, Series O, 1920, for \$1,000,000.00 and \$500,000.00 of Series H, 1918 have been recalled during the past fiscal year.

as of June 30, 1926.

Date of Issue	Form	Amount	Purpose	Int. Rate	Maturity	Amt. Retired
9- 1-17	Bonds	\$ 500,000	Rural Credit	"A" 4%	1937	\$ 500,000
12- 1-17	"	500,000	" "	"B" 4%	1937	
1-15-18	"	500,000	" "	"C" 4%	1938	
2-15-18	"	500,000	" "	"D" 4%	1938	
3- 1-18	"	500,000	" "	"E" 4%	1938	
4-15-18	"	675,000	" "	"F" 4%	1938	
4-15-18	"	1,750,000	" "	"G" 5	1928-1938	
5-15-18	"	1,500,000	" "	"H" 5	1928-1938	1,500,000
1- 1-19	"	4,000,000	" "	"J" 4%	1939	

Bonds Listed Above are Redeemable at the Option of the Board

Bonds Listed Below are not Redeemable but must Run to Maturity

3-15-19	Bonds	\$3,000,000	Rural Credit	"K"	5	1930-1939	
6- 1-19	"	4,000,000	"	"L"	5	1930-1939	
10- 1-19	"	3,575,000	"	"M"	5	1930-1939	
1-15-20	"	5,000,000	"	"N"	5	1930-1940	
5- 1-20	"	1,000,000	"	"O"	6	1925	\$1,000,000
7- 1-20	"	2,000,000	"	"R"	5 ½	1935	
10- 1-20	"	2,500,000	"	"S"	6	1933-1940	
1-15-21	"	2,500,000	"	"A"			
				1921	6	1936	
1-15-21	"	2,500,000	"	"B"			
				1921	5 ½	1941	
12- 1-21	"	5,000,000	"	"C"			
				1921	5 ½	1932-1941	
11-15-22	"	3,000,000	"	"D"			
				1922	4 ¾	1942	
1-15-24	"	2,600,000	"	"E"	5	1934-1944	
1-15-24	"	400,000	"	"F"	5 ¼	1934-1944	
		<u>\$47,500,000</u>					<u>\$3,000,000</u>

## REFUNDING BONDS ISSUED

5-15-26	Bonds	\$ 500,000	Rural Credit	Refunding	4½	1931
5-15-26	"	250,000	" "	Refunding	4½	1932
5-15-26	"	250,000	" "	Refunding	4½	1933

\$1,000,000

Total Outstanding Rural Credit Bonded Debt-----\$45,500,000

It will be noted from the above statement that \$1,000,000 in bonds drawing 6% were retired,—\$1,500,000 drawing 5% and \$500,000.00 drawing 4 3-4%; that \$2,000,000.00 of funds used in retiring these bonds was paid out of the Rural Credit Treasury, while \$1,000,000.00 was the proceeds of sale of Refunding Bonds issued, the Refunding Bonds drawing 4½% and representing a material reduction in the interest rate and a consequent saving to the state.

In view of the fact that the preparation of this report devolves principally upon the Commissioner and the present Commissioner having only occupied the office for approximately six weeks prior to the close the period over which this report is made, it is somewhat difficult to make a comprehensive report of the activities of the Board during that period, and, therefore, we feel that we will be consistent if we confine a part of our remarks to recommendations and future policy and therefore offer the following recommendations:

The Department under present limitations, is not engaged in the loaning business,—its activities are confined to the collection of interest on its loans already made, a portion of which are delinquent,—the assets and resources of the department are in the field in the form of: first, the live loans, being those in good standing and on which the installments are kept paid; second, in the delinquent loans, their value being in the delinquent borrowers ability to produce and pay and in the value of the real estate securing such delinquent loans; third, in the value of the real estate to which the department has already obtained title through foreclosure of delinquent loans.

It occurs to us that first and most important in the preservation of the department's interest is the development of a complete and efficient system that will keep the department constantly in touch with the actual condition of the delinquent borrowers, their earning power, ability and disposition to pay. This will require some change in office system and the development of a field force so equipped and so organized that they can systematically canvass the territory in which these assets lie by districts; also in position to give the necessary care and attention to all lands to which the state has title. In our opinion, a field force of twelve to fifteen men properly organized and working systematically, equipped with proper files and records, would be adequate to accomplish this work.

First, and of major importance under present conditions, is the canvass of the delinquent borrowers. We find approximately 40 % of the loans in force now delinquent. This delinquency, however, we believe cannot justly be looked upon as representing as bad a condition as such a percentage of delinquencies would indicate had a rigid policy of collection been adopted in this department. The policy of leniency extended to the borrowers and a lack of systematic check of the borrowers ability or disposition to pay, we believe, has allowed a large portion of the loans to become delinquent while the borrowers have had and still have the ability to pay.

We find that frequently delinquent borrowers have taken the income from the lands on which this department has loans and used such incomes to pay interest and obligations on other lands; that they have frequently been induced to mortgage their entire income to local creditors and that consequently such local creditors have year after year absorbed the entire income from lands in which the taxpayer thru this department has the initial investment, while the loans to the state have continued to mount yearly the sum of the annual installment and sometimes taxes in addition, the result frequently being that the borrower has lost his home and the state has acquired the farm.

To correct this condition, we recommend a systematic canvass of all delinquent loans; that delinquent borrowers be required to give a financial statement showing completely their financial condition. This statement should cover his activities for at least three years past, setting out fully his chattel property, whether or not it is mortgaged, the acreage of his farm operations, the number of his livestock and the character and amount of his possible an-



nual income. From such statements the Board can form definite and reasonably accurate conclusions: (1) as to whether or not the borrower is justly entitled to forbearance, and (2) as to whether or not his resources and operations indicate that there is a possibility of his carrying his load.

Extreme care should be exercised in passing upon foreclosures. Where these reports indicate that the borrower is disposed to pay his obligations, where his financial condition is such that it seems reasonably certain that he will be able with normal crops to carry his load, forbearance should be granted, but in such cases the borrower should give security upon a fair portion of his income, thereby guaranteeing to the department its fair portion of that borrower's income.

In instances where this investigation shows that the borrower has been diverting the income to other sources, and taking advantage of the State's leniency, or in instances where his burden of debt is so large that there is no possibility of his carrying his load and that further forbearance would only mean the diverting of the State's rightful share of the income from his land, into the hands of other creditors, we believe it is to the interests of the taxpayers of the state, as well as justice to all concerned, that foreclosure action should be taken immediately so that the state may receive at least rental income from the land in which it has the investment.

With regard to lands to which the state has been forced to take deed, a complete survey of these lands should be made as rapidly as consistently can be done; that in this survey complete plats should be drawn showing the topography of the land, soil conditions, producing value, the improvements thereon and the condition of the same. An estimate of the valuation of the land fixing such valuation as nearly as possible on real estate valuations of 1914 to 1916 price levels. Such valuations, while it is agreed would not be accurate and would only be an estimate, would seem to be a reasonably conservative basis.

The same check, as above referred to, on real estate to which the state has title should be made on all lands on which the conditions indicate that foreclosure is warranted, such inventory should be made prior to the date that foreclosure is begun when that is possible.

The improvements on most farms on which the state is forced to take title are in a bad state of repair. We would recommend that the department adopt the policy of bringing all farms on which the improvements are such and the conditions warrant the maintenance of such improvements up to a reasonable and practical state of repair. That the department should keep all buildings of value painted and repaired to a degree sufficient to prevent waste and deterioration and such that would keep the lands and improvements in an attractive saleable condition. Extreme caution and judgment should be used in expenditures of this character and where demand for buildings or conditions of same do not warrant the maintenance of same, the structures should be disposed of at the best price obtainable.

We further recommend that the canvass of the delinquent loans and of farms to which the state has title should be begun early enough in the season so that such canvass could be completed by the first of January of each year and that upon the completion of such canvass that all loans on which the investigation indicates that foreclosure is warranted, that foreclosure should be begun so that Sheriff's Deed could be had prior to March 1st of the following year, thereby making it possible to enter into a lease with tenants for the ensuing year without compromise as is now frequently necessary because of foreclosure having been commenced without regard to the period of time in which the title will be received.

Such a policy followed consistently would eliminate all dispute as to title during the crop year and would give the state undisputed title to all crops on foreclosed lands after Sheriff's Deed is issued.

**Leasing:** We further recommend that the statute with reference to the leasing of Rural Credit lands be amended so that such lands can be leased on a share rental basis. The experience of the Board to date has given ample evidence that the South Dakota tenant is not prepared to lease South Dakota agricultural lands on a cash basis. We are convinced that the State, even though it failed to collect a portion of its share rentals would receive a much larger income from its agricultural lands on a share basis it is able to collect on a cash rental basis.

C. W. CROES, Commissioner.

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